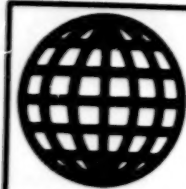


JPRS-KAR-88-010

26 APRIL 1988



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

East Asia

Korea

East Asia Korea

JPRS-KAR-88-010

CONTENTS

26 April 1988

INTER-KOREAN

Seoul Daily on Anti-U.S., Pro-North Student Forces	1
DPRK Denounces No's Visit to 'Team Spirit' Site	1

OLYMPICS

Black African Countries May Boycott Seoul Olympiad	3
--	---

SOUTH KOREA

POLITICAL

Chongwadae: Inner Working of President's Office Described	4
Paper Deplores Public Officials' Involvement in Campaigning	10
Small District System Creates Bitter Rivalry	11
Form of Government To Provide Election Issues	12
Prosecution Focusing on 'Stashed' Funds	12
Paper Reports Younger Chon Used 4 Passports, 11 Occupations on Trips	13
Seoul Daily Editorializes on Saemaul Movement Scandal	14
TONG-A ILBO Criticizes Handling of Saemaul Investigation	15
Kwangju Incident's Nature 'Redefined'	16
Violent Behavior of 'Wild Students' Called Disappointing, Deplorable	16
Candidates' Personality, Past Career Gain in Importance	17
Former Defense Minister Interviewed on Politics	18

ECONOMIC

Consumer, Wholesale Prices Post Rise in First Quarter	20
Possibility of Financial Liberalization Viewed	21

SOCIAL

Seoul National University To Lessen Restrictiveness of School Regulations	25
Ministry of Education Approves Changes	25
Paving Way for Campus Autonomy	26

SCIENCE & TECHNOLOGY

Analysts Predict Automakers' Expansion Plans May Glut 90's Markets	27
--	----

FOREIGN RELATIONS, TRADE

Government To Encourage SDI-Related Industries	28
Seoul Daily on Possibility of Economic Cooperation With Soviets	28
Country To Send Economic Delegation to East Bloc in November	29
Textile Operation to Caribbean Expanding	29

NORTH KOREA

POLITICAL

Kim Chong-il's Work on Law-Abiding Life Hailed	31
--	----

MILITARY

Yun Ki-chong Sums Up 1987-88 State Budget	33
---	----

FOREIGN RELATIONS, TRADE

U.S. 'Arrogance' Expression of Vulnerability	36
Changes in PRC Economic Policy Open Door to Closer Ties	38

Seoul Daily on Anti-U.S., Pro-North Student Forces

SK250821 Seoul KYONGHYANG SINMUN in Korean
22 Mar 88 p 2

[Editorial: "Anti-U.S.-Oriented Pro-North Line"]

[Text] It has been finally disclosed who has, on many college campuses, recently disseminated subversive leaflets urging formation of radical revolutionary organizations by citing what is said by the "Voice of National Salvation," a North Korean puppet broadcasting system.

According to what the National Security Planning Agency announced on 21 March, the publication and dissemination of leaflets conveying the North Korean puppets' allegations about the bombing of the Korean airliner, the occupation of the U.S. Cultural Center, and the installation of a homemade bomb at the Kwangju U.S. Cultural Center were all masterminded by the Anti-American Youth Association, an underground pro-North organization.

The National Security Planning Agency announced that this organization, formed last January with the participation of 72 students from 26 universities across the country, has committed a series of incidents, while strengthening the foundation of their struggle by publishing 51 different leaflets, such as "Kim Il-sung's New Year Address" and "Ideology of National Liberation and Popular Revolution."

What is particularly noteworthy is that these students have sought systematic terrorism of violence by organizing a liaison department and an armed forces department, imitating the North Korean puppets' anti-South operation system. Stone-throwing and Molotov cocktail-throwing, which has now become something routine, and the pro-North revolutionary line are starting to be rejected on and off the campuses. However, such things are still being obstinately clung to. We believe there should be some reason.

We assume that these forces have now become somewhat fretful amid the trend of wide-ranging liberalization and democratization, including in the field of journalism.

An oppressive and suppressive atmosphere is necessary to arouse the people's anti-government sentiment. However, after the presidential election was held last year, society has opened, and a stratum of stability is being formed. As a result, it has become difficult for these forces to close its ranks. Accordingly, it is highly probable that these forces have reached the conclusion that they need to commit reckless provocations to induce public power to follow a collision course.

The second reason should be, as has been disclosed by what the students have been studying, that they have come to realize that workers and farmers, though they favor social reform, are still too conservative to be a

force toward overthrowing the system. Therefore, it becomes necessary to create a target of enmity to make them a revolutionary force. These forces must have thought that U.S. pressure over South Korea has developed due to trade friction, which has helped form an anti-American consensus to some degree. Thus, it is likely that they have come to the miscalculation that they can possibly overthrow the system if they ignite this train of powder.

The third reason is the special strategy and tactics to exploit the political season, the election season.

It is possible that they have come to judge that, even if they advocate a pro-North line, they will be supported by anti-government political forces, which are trapped by the cause of student movement, and intellectual circles will react negatively to intervention by public power.

However, as was the case with those who belong to an autocratic political group, those who are in an isolated environment of an underground agitating point are unaware of moves outside where enormous changes are taking place. The spring has come in the minds of the masses, and the trend of history has come to agree with the nature of reason. This being the situation, it is necessary for these forces to once again ponder what direction the reactionary wind is really blowing.

If democratization, which was urgently desired by blood-boiling youths, and their messages, which have been passed onto the older generations, are devalued because of these forces, it is a tragedy.

DPRK Denounces No's Visit to 'Team Spirit' Site
SK050150 Pyongyang Domestic Service in Korean
0007 GMT 2 Apr 88

[NODONG SINMUN 2 April commentary: "Provokers Will Not Escape From Punishment"]

[Text] The "Team Spirit" war exercise has become more reckless as time passes. On 31 March a large-scale emergency landing and take-off operation exercise was staged on the Seoul-Pusan Expressway in the central region with the mobilization of F-15 and F-16 fighter-bombers and B-52 strategic bombers. Synchronized with this, a large-scale air strike operation exercise was staged in the central frontline sector with the participation of units from the army, the navy, the air force, and the marine corps. On the other hand, on 31 March a joint river-crossing operation exercise, including a river-crossing operation exercise of tank units, was staged in the area near the South Han River in the central frontline sector.

Because of these adventurous acts of playing with fire by the U.S. imperialists and the puppets, the situation on the Korean peninsula is momentarily developing toward a grave phase which can be seen on the eve of a war. Nevertheless, what arouses our attention is the fact that

military gangster and traitor No Tae-u, who has taken the seat of new regime, is further inspiring war fever, prowling about the sites of the powder-reeking military exercise.

According to a report, on 31 March this rascal flew into the command post of the "Team Spirit" joint military exercise in the central frontline sector by helicopter and then prowled about the powder-reeking river-crossing exercise site in the South Han River.

It is precisely a treacherous and intolerable act that at a time when, after putting forward a proposal to convene a North-South joint conference in an effort to favorably turn the situation on the Korean peninsula for its peace and peaceful reunification, we have repeatedly urged to hold a preliminary meeting for the realization of the conference, traitor No Tae-u prowled the site of the war exercise which is being staged together with the U.S. imperialists while turning away from such efforts of ours.

That day, clamoring about the nonexistent someone's provocations, traitor No Tae-u exchanged drinking cups with the rascals of the aggression forces who are trying to make our nation victims of a nuclear war. While depicting the Korean peninsula as the detonator to a powder magazine, traitor No Tae-u justified the "Team Spirit" joint military exercise which is being staged on this powder magazine, babbling that the exercise is a timely exercise and the like. Such absurd remarks by the traitor reveal his true colors as a military gangster, a bellicose maniac.

That day, conscious of the patriotic students who oppose the military training at the frontline units, the rascal babbled about the so-called need to have students spontaneously join the military training. This means that all

possible means and methods should be utilized in taming college students to become cannon fodders of the U.S. imperialist aggression forces. What a cursed act this is!

Traitor No Tae-u's words and behavior that day are too identical to those of former dictator Chon Tu-hwan who inspired war fever, prowling about the sites of the "Team Spirit" joint military exercise in the past. The differences, if any, are that the degree of his bellicosity is greater than that of his predecessor.

Just recently, traitor No Tae-u stressed intensification of security posture again, clamoring about someone's provocations. Following this, he went so far as to have the puppet defense minister utter toward us such violent remarks as declaration of war, punishment, and retaliation.

In light of the fact that the No Tae-u ring has repeatedly clamored about someone's provocations recently, it is clear that the puppets are trying to light the fuse of a war at any cost by fabricating an unexpected incident, taking advantage of the present opportunity when vast armed forces of the U.S. imperialist aggression forces are concentrating on South Korea.

As long as the U.S. imperialist aggression forces are stationed in South Korea and as long as there are such military gangsters as No Tae-u in South Korea, the Korean people cannot live in peace nor can they escape the fight of the same nation against each other.

Recently, such slogans as "We Oppose the 'Team Spirit' War Exercise," "Withdraw U.S. Forces," "We Oppose Military Training for Yankee Mercenaries," and "Down With the Military Dictatorship" are vigorously bursting forth among the South Korean youths and people. These cries are just.

If the No Tae-u ring should in the long run trigger a war of northward invasion, the South Korean people will not tolerate the rascals and will not escape a blow of annihilation from our people and the People's Army.

Black African Countries May Boycott Seoul Olympiad

SK311532 Pyongyang KCNA in English

1513 GMT 31 Mar 88

[Text] Pyongyang March 31 (KCNA)—Amadou Lamine Ba, secretary general of the Supreme Council of Sports of Africa, said that black African countries and their allies might boycott the "Seoul Olympiad" in case Great Britain sends South African white athlete Zola Budd to it, according to the Cuban paper Granma of March 26 issue.

The withdrawal of participation in the Olympic games may affect to a certain extent the competing ability of some African countries, but we must have pride and should not remain an onlooker at the completely dishonest acts of others, he noted.

Meanwhile, BBC on March 29 reported that the group opposing apartheid in South Africa threatened to boycott the "Seoul Olympiad" if a rugby match was arranged between the world selection team consisting of players from Britain, France, Australia, New Zealand and Argentina and the South African team.

The Supreme Council of Sports of Africa declared it would boycott the "Seoul Olympiad" in case South African white athlete Zola Budd is selected by the British team or a rugby game, not an event of the Olympic games, is held between the world selection team and the South African team in South Africa in the forthcoming August, said the radio.

POLITICAL

Chongwadae: Inner Working of President's Office Described

41070050 Seoul CHOSON ILBO in Korean
3, 4, 6 Mar 88

[Three-part article by Reporter Ha Won: "Chongwadae: How the Sanctum of Power Works"]

[3 Mar 88 p 3]

[Text] Nobody would raise an objection to the statement that Chongwadae [the Blue House] is the supreme and ultimate summit of power in the conduct of state affairs in our country. Yet, in the past, the Blue House has been a "sanctum" forbidden to the Korean press. In fact, shrouded in a veil are the way the formidable powers of the presidential office are exercised and the way the powers of the presidential secretaries and other institutions of power are interlocked.

The following is a three-part article written about the Blue House, the supreme power center of the Republic of Korea, with main attention focused on the process of making personnel appointments, which symbolizes the exercise of the presidential power, and the policy-making process. (CHOSON ILBO editor's note)

A week has passed since the era of President No Tae-u dawned. It is expected that the new president will use an entirely different style from that of his predecessors in exercising his power, probably because he advocates the "liquidation of authoritarianism" and calls for "an age of the common man." This is illustrated in the posture of the new president walking on the front lawn of the Blue House surrounded by people with latent Hansen's disease.

Nevertheless, the presidential power remains the same although the reigns of government have changed hands from the Fifth Republic to the Sixth Republic. The constitution provides for the division of power between the different branches, but there is no essential change in the presidential position as the final arbiter in personnel actions and policy decisions, the two areas in which the exercise of the presidential power is visible.

Especially under the presidential form of government, all powers are centered on the president just as "all roads converge on Rome." The process of making personnel appointments provides a typical example of the way the presidential power is exercised. In the past, before forming a new cabinet, the president solicited recommendations from various circles, giving the impression of an open government. In fact, many people participated in the screening process.

Despite all this, it was inevitably the president himself, the person having the ultimate authority to make personnel appointments, who had the final say in placing a particular person in a particular position.

This proves the truth of the dictum "to rule is to appoint officials."

There were quite a few occasions in which the list of the new cabinet was changed just before the announcement was made. The president is the only person who has this kind of exclusive right. So Myong-won, the last education minister of the Fifth Republic, would have been a minister in a previous cabinet if such a last-minute change had not been made. At the time of "18 February cabinet reshuffle," the then President Chon Tu-hwan called in his spokesman, Hwang Son-pil, and handed him a memo listing the roster of the new cabinet, and instructed him to announce it. The list originally included So Myong-won's name, but the name was crossed out and Son Che-sok's name was superimposed over it. This indicates that immediately before the announcement, the president, for some reason, changed his mind. As a consequence, Mr So failed to secure the ministerial post he would otherwise have had.

A similar change occurred when former President Chon appointed a new construction minister in the December 1987 cabinet reshuffle, the last reshuffle during his tenure. Fearing that the remarks made by Construction Minister Yi Kyu-hyo concerning an act of violence committed at a campaign speech meeting in Chonju might affect election returns, President Chon decided to replace him and instructed the office of his secretary to "recommend a suitable candidate for the replacement from among public officials hailing from North Cholla Province." According to this instruction, the cards bearing the names of Choe Tong-sop, the then chairman of the Civil Petitions Examination Committee (equivalent to the rank of vice minister), and a certain Yi (grade-1) were reportedly placed on the president's desk. Of the two candidates, President Chon had known of Yi as the able longest-serving grade-1 official, because his name was mentioned each time a new vice ministerial post was to be filled. But at the last moment, apparently, the higher grade the Committee Chairman Choe held swayed the president in his favor. If at that moment, some other factor had served as the criterion of selection in the presidential choice, Mr Yi's name might have been announced.

When the first prime minister of the Sixth Republic was selected, the names of Messrs H and K appeared as the most influential candidates. But, because President No had first chosen Hong Song-chol, who hails from the north, as his secretary general, the names of H and K, both northerners, were dropped. As a result, the story goes, Yi Hyon-chae, who was originally listed as the

number one candidate for the post of minister of economic planning, was appointed as prime minister. These are examples of how the president's momentary decision plays a crucial part in personnel appointments.

Reportedly, standing near one of the walls of the presidential office on the main floor of the Blue House, is a cabinet containing personnel files of over 1,000 senior officials. These files, prepared by the Ministry of Government Administration, are said to contain the personal data on government officials with the ranks of grade 1 or above, and the executive officers of government-operated corporations.

The president has the authority to make direct appointments to the posts held by all these officials listed. Reportedly, each file card includes the present post, permanent address, education, and experience of the official, as well as his photograph.

Sources close to the president whispered that these files are referred to on many occasions when appointments are made. To prepare for possible appointments, one former president went over the files thoroughly from time to time, in some cases, to the extent of learning the contents by heart. These files must be very useful particularly for a new president.

True, the president's authority to make personnel appointments is his exclusive power. But this power is subject to institutional limitations and influenced by recommendations from his associates in the process of exercising this power. Take the appointment of a cabinet member for example. Under the current system, the prime minister has the right to recommend a person of his choice for a cabinet post, and from now on presidential associates will be given more chances to recommend the right persons for the right posts.

Whoever exercises his influence, in small or large measure, in the exercise of the president's power to make official appointments, may be considered an influential person or the president's close aide.

At some times, the secretary general of the Office of the President, at other times, the relatives and in-laws of the president, exercised such influence. This kind of influence stems from the president's personal relations, but as far as the system goes, the president's closest aides are his senior secretaries who assist him right at his elbow.

How do the secretaries in the Blue House influence the president in handling personnel affairs? This influence stems, first of all, from the fact that they have more opportunities than anyone else to contact the president.

Needless to say, some executive officers of the government party, or the prime minister or other cabinet members, can play a role as the president's chief of staff.

In the past, depending on the role the Agency of Security Planning played in "maintaining the power to rule," its director used to be called a "man with real power."

However, the people who closely assist the president 24 hours a day are his secretarial staff. In reality, in the past the extent of power wielded by influential persons was determined by the frequency with which they contacted the president. In other words, the ranking among influential persons is determined by "the closeness to the president," not by their official ranks. In the days of the Fifth Republic, when a cabinet minister saw the president to make a business report, it was customary for the minister to bring up personnel matters toward the end of the meeting. When it was time to bring up these matters, the senior presidential secretary who had been sitting in on the meeting usually left so that the minister could have an opportunity to hold a private discussion with the president.

During this discussion, the cabinet minister presented alternative names for filling vacancies in his ministry caused by term expiration or for other reasons. But it was not uncommon that these alternative names were rejected and a third person was appointed under presidential orders.

Judging from President No's statement that the Sixth Republic will drastically expand the power of the ministers to fill positions under their respective jurisdiction, some observers see a likely change forthcoming in the pattern of making personnel appointments.

However, it was customary in the days of the Fifth Republic for ministers to consult the senior presidential secretaries concerned by informing them in advance of a personnel action being considered. Smooth business cooperation is not the only reason for such advance consultation. The main reason is rather that senior secretaries are in a better position than anybody else to know the mind of the president and to perceive more clearly his stand on the appointments to be made.

Rather, the dominant factor may be that the senior presidential secretaries come to know the abilities of many officials while making routine contacts with cabinet ministers and have more opportunities than cabinet ministers to convey such assessments to the president. This is the reason why the senior presidential secretaries can be "influential persons."

A former senior presidential secretary disclosed that in the case of former President Chon, while receiving various reports from a senior secretary, often asked him questions, such as "What do you think of that man?" or "Who do you think is best fit for this post?"

Occasionally, the president's choice in a personnel appointment could be influenced by people outside the Blue House, such as members of the ruling party or a

third person. In the days of the Fifth Republic, at times when various major incidents occurred, strong pressures from the party served as a factor in causing a cabinet reshuffle.

A certain outside personage, during a *tete-a-tete* meeting with the president, whispered that since Mr H had become the minister of economic planning, regionalism has been rampant in making personnel appointments in his ministry." Thereupon the president immediately ordered an investigation, and the charge turned out to be true. As a consequence, the minister was dismissed when the cabinet was later reshuffled. On another occasion, reports by a government investigative agency looking into a scandal involving high-ranking government officials resulted in a personnel action.

It is a common practice in our country that when a cabinet member, not to mention the prime minister, is appointed, his whole county celebrates the occasion and even appointment as a vice minister is a great honor for the clan he belongs to. However, as far as making official appointments is concerned, the holder of the power has, by the stroke of a pen, the leeway to choose between A and B in making appointments to any of the 114 ministerial and vice ministerial posts.

This gives rise to speculation that many will seek power and the weight of the Blue House will not decrease significantly despite the new president's claim that this will be the age of the common man.

[4 Mar 88 p 3]

[Text] The question of revising the election law is the first and foremost issue of the day pending in political circles. Both the ruling and opposition camps are divided by the two conflicting views—the one favoring small electoral constituencies and the other calling for a system providing for constituencies each of which will elect one to three National Assembly members. In this connection, DJP officials opposing the system of small constituencies aired their "united voice of opposition" on 2 March. For this reason, the DJP executives again visited the Blue House on the afternoon of 3 March, following their first visit on 2 March, in order to hear what President No Tae-u had to say about this issue. The sudden visit to the Blue House by the leaders of the ruling party graphically demonstrates that the man who has an ultimate say in policy decisions is the president.

The fact that the president sits at the summit of policy making is not something new, but a reality that has been substantiated by the successive presidents. When the so-called "Yi-and-Chang case" occurred in 1982, Kang Kyong-sik, the then deputy finance minister, and Kim Chae-ik, the then senior presidential secretary for economic affairs, acting under "stern presidential orders" to bring the social chaos under control and stamp out the corrupt practice of the underground economy, jointly prepared a plan banning the use of false names and

requiring the use of real names only, in all financial transactions. But this plan touched off a major controversy. The government itself was divided, with one group insisting that the plan should be adopted from the point of view of social justice, and another group opposing the plan on the ground that it lacked practicality and its adoption would only jeopardize the "stability of the government." Opposing views were presented everywhere, at a conference of senior presidential secretaries—which may be called a filtering mechanism for policy decisions—and a high-level DJP executives meeting, and at a cabinet session. The then Vice Prime Minister Kim Chon-song supported one of the two opposing views, thus becoming the talk of the town; and Ho Hwa-pyong, senior presidential secretary for political affairs, became angry at a joint meeting, and this report touched off speculation that someone might fall as a consequence.

Under these circumstances, the then President Chon Tu-hwan assembled in one place the "two sides" to this intergovernment controversy. Of course, each side hotly argued that its opinion was right. After carefully listening to the views of the two sides, the president wound up the conference by adopting the "modified" version of the system requiring the use of real names which is currently in force. A similar controversy ranged over the proposed school stability act, which was "the eye of the typhoon" on the 1986 political scene. Ho Mun-to, the senior presidential secretary for political affairs who was the originator of the proposed bill; Prime Minister No Sin-yong; DJP Chairman No Tae-u; and Chang Se-tong, director of the Agency for National Security Planning, got intricately involved in the controversy. The president settled the issue by withdrawing the bill without consulting its architect.

At any rate, our political reality is such that no one can object to presidential decisions. This reality is not something that can be easily changed today or tomorrow, because the president invariably remains the person who makes ultimate policy decisions.

Generally, there will be no change in either of the two channels in the policy-making process: one being the top-to-bottom channel in which presidential directives flow downstream, and the other being the bottom-to-top channel in which policies drafted by ministries flow upstream to reach the president for final decision. The president's political ideals have the fundamental "value" of providing the direction for policies drafted in various ministries. The direction of the Sixth Republic's future policies will be determined by the consideration for implementing the president's election pledges. In case of the top-to-bottom policy-making process, a policy prepared at the top flows straight down the stream. In case of the bottom-to-top policy-making process, often the president's tentative prior approval is obtained through the secretarial staff of the Blue House. But when a conceived policy comes into conflict with the ideas of other ministries, it is customary for the original draft

policy to go through a modification process while the final policy is being determined, even if a tentative prior approval has been given. Repeated consultations will be held mainly with the Board of Economic Planning in case of an economic policy, and with the Office of the Prime Minister, the secretarial staff of the Blue House, and at times with the party, when a noneconomic policy is involved. How this revising process will end up depends on the persuasive power of the ministries and presidential secretaries concerned to influence the president.

This happened when the Fair Trade Act was revised. The Blue House secretaries for economic affairs, believing that a revision of the Fair Trade Act was necessary from the long-range point of view, tried to draft an amendment to the bill in cooperation with the economic ministries. However, the government was divided over the direction the proposed revision should take. The Board of Economic Planning for its part stuck to the principles, the Ministry of Commerce and Industry was opposed to the proposed revision for fear of a free-for-all among businesses and the possible side effects. The office of the secretary for economic affairs tried to adjust differing views by going back and forth between various ministries and agencies concerned and by bringing their officials together at times. But the nature of the issue was such that it was very difficult to find some points of agreement. While this effort was being made, the senior presidential secretary for economic affairs held frequent *tete-a-tete* talks with the president, in which he explained the crux of the issue to the president and received guidance on each occasion. In the end, a policy was adopted in line with the Blue House draft, according to the subsequent final presidential decision which set the direction for the revision. Sources in and around the Blue House say that there is one thing the senior secretary for economic affairs should know in working for the adoption of an economic policy in which the interests of many groups are interwoven, namely, the fact that there will be intense lobbying to influence the president, not to mention the senior secretary for economic affairs himself and the economic ministries and agencies concerned. Lobbying may take the positive form of insisting that "the policy conceived by our side is most desirable"; but at times it may take the form of calumny, accusing "so-and-so of being the spokesman for the interests of such-and-such group." It might be because of this kind of negative lobbying activity that occasionally, interesting rumors go around concerning senior secretaries of the Blue House. For this reason, in anticipation of a lobbying activity, an "able" senior secretary for economic affairs will make it a rule to fully brief the president in advance as to the merits and demerits of a proposed policy, so that the policy decision may not be influenced by lobbying.

The state council meeting is the highest venue for discussing policy matters. However, this system is not very active because tentative presidential approval is

obtained in advance before an important policy is finalized. The rationale is that it is useless to raise an objection to a policy already approved in advance. An "able" minister sometimes flaunts the presidential determination by embellishing the circumstances in which the president gave him tentative advance approval. As a result, the minister concerned makes a "brief explanation" of the proposed policy at a state council meeting, with other council members raising no objection. For this reason, in the past, the system of a state council meeting may be viewed as nothing more than a "formality to justify policies adopted." On the contrary, at the first state council meeting since the birth of the Sixth Republic, which was presided over by President No, there were heated discussions among the ministers present, presaging a change in the manner state council meetings will proceed in the future. This raises hopes that state council meetings will be different from those held in the past.

On the contrary, the atmosphere of the senior Blue House secretaries' meetings, which may be regarded as the first step for making final policy decisions, has been somewhat different from that of state council meetings.

When a discussion is made of matters involving various ministries and agencies, like matters relating to support for the Olympics, customarily each senior secretary presents his view concerning matters under his jurisdiction and an adjustment of differing views is made. Particularly when a discussion is focused on a matter which is likely to touch off a political controversy, there will be heated arguments. However, this does not mean that all major policies invariably go through the filtering process at meetings of the senior presidential secretaries. This is because each senior secretary has the discretionary power to decide whether or not a particular issue under his jurisdiction should be brought before a meeting of the senior secretaries for discussion. Because of this "characteristic" of the discretionary power, at times speculation as to whether a certain senior secretary is a "an influential person" or whether "the secretary general of the Office of the President has the real power" becomes rife among outsiders.

The ability of the senior presidential secretaries to exercise influence through their meetings in the policy-making process also stems in essence from their role in conveying the president's ideals of government and his policy intentions to the cabinet and checking on the state of implementation of measures of interest to the chief executive. In view of President No's instructions to his secretarial staff to minimize its jurisdiction, it remains to be seen whether or not meeting of the senior presidential secretaries in the Sixth Republic will operate in the same way as in the past.

Speaking of this new change, naturally the people to whom more powers are delegated will welcome the move for now, but it is a fact that new apprehensions have already begun to arise inside the Blue House about the new move, from the point of insuring the "reasonableness of policies."

On the other hand, up to now the high-level joint conference, participated in by the senior presidential secretaries, leading party executives, and the heads of the ministries and agencies concerned, has customarily performed the function of coordinating the views of "organizations concerned." Attention should be paid to the fact that despite all those present at this meeting being by nature members of the presidential staff, conclusions reached at this joint conference are greatly influenced depending on which group is playing the leading role in dealing with the question at hand, namely, where this group "actually" stands on the power ladder. The policy-making process in the Blue House indicates that people take precedence over policies after all.

[6 Mar 88 p 4]

[Text] A former high-ranking government official who was once close to the president and was called an influential person by those around him made a "confession" to this effect: Through his "inside" experience, he came to the conclusion that the division of power now concentrated in hands of the president is needed more than anything else to achieve the democratization of our country. He added that immensity of presidential power is beyond the imagination of "outsiders."

Outsiders can hardly fathom the magnitude of the presidential power. They can get an inkling of its immensity only as demonstrated in the personnel-appointment and policy-making processes.

It may not be because of this, but anyhow there is always a long waiting list of people wanting to see the president. Nevertheless, it is common knowledge that an "ordinary man" cannot easily meet him. Inasmuch as it is hard to get an opportunity to meet the president, many people would regard it as an "honor" if they had a chance to shake hands with the president at a public function attended by the masses. In fact, having an opportunity to meet the president face to face in his office is exceptional.

When an outsider seeks to pay a courtesy call on the president, the senior secretary in charge first makes his judgment as to whether the requested meeting is worth arranging, and if he decides it is worthwhile, he makes a recommendation to the president, who gives an oral approval if he agrees to grant the request. This senior secretary then informs the senior protocol secretary, who works out the president's daily schedule of activity, of the presidential approval so that he can include the requested meeting in the president's schedule. That is the general practice in arranging a meeting with the president.

On the other hand, the president may want to see an ordinary person who holds no official post. His purpose may be to know what is going on outside, or to get the views of an expert on a state policy or particular issue. In the days of the Fifth Republic, there were three channels

through which the former President Chun issued instructions to arrange meetings with the people he wanted to see. One channel was the office of the secretary in charge of affairs which cover the occupation of the person the president wants to meet. This secretary informs the person in question of the time and date of the forthcoming meeting with the president. The second channel is the office of the presidential security force and the first auxiliary office which assists the president in dealing with advisory affairs. "Meetings" arranged by the secretaries in charge may be regarded as official functions aimed either at reflecting the views of outsiders on the conduct of state affairs or at explaining state policies to them so that they may better understand these policies.

The third and last channel operates like this. Suppose it is the time for a cabinet reshuffle. The president meets certain persons to receive recommendations from them or to inform them of intended appointments, and these meetings are of a secret nature. It is an unwritten law in the Blue House that even the protocol secretaries, located right next to the presidential office, who assist the president should not know whom the president is meeting in secret, nor should they want to know. This practice is likely to remain unchanged during the tenure of President No.

Needless to say, not even the senior secretaries, who are the president's close aides, can see the president exclusively at any time they want to. Unless the president has some questions to ask while going over a document, or unless he wants to see a senior secretary for some reason, the secretary, when he has some urgent report to make, first has to ask the protocol secretary to arrange for him to see the president.

On each occasion, the senior secretary tells the protocol office that "I have to see the president for a few minutes to deliver a report." Depending on the president's schedule on each occasion, the protocol secretary tells the senior secretary, "Please come up now." This was the practice in the past and is still the practice. The expression "come up" means going to the main building of the Blue House where the president's office is located, from the annex building housing the office of the presidential secretaries. It is a phrase used by the employees of the office of the president.

There are many other factors which make the president the "holder of the highest power." One of them is the reality that no one else can have as much information available to him as the president. Information collected by various agencies, such as the Agency of National Security Planning, the Defense Security Command, the Police, and the Office of the Secretary for Civil Petition and Intelligence Affairs, is ultimately funneled to the president. This may mean that no one is better informed about situations in our country than the president.

The chiefs of the intelligence organizations make intelligence reports to the president when they meet him on a regular basis. In addition, there is a routine flow of "classified reports" from the Foreign Ministry and the aforementioned intelligence organizations to the president.

Confidential reports are delivered to the president mainly through the first auxiliary office which operates for 24 hours a day, and the office of the secretaries cut out both corners of the envelopes containing incoming reports without checking the contents, in order to make it easier for the president to open them. Of course, people in the office of the secretaries have no way of knowing what is in the "confidential reports". One can only speculate that the information contained is diverse, occasionally containing information on corrupt high-ranking government officials, and sometimes information on their private lives. In fact, through this information network, the president even knows vicious groundless rumor float in the town.

In addition to information made available through the official channels, an average of 80 to 90 civil petitions come daily to the president directly or by mail. Of these petitions, requests for jobs are the source of a big headache for the office of the secretary for civil petition and intelligence affairs, which screens incoming civil petitions. This office refers to the president only important petitions which it finds useful in policy making. Here is an example of the petitions which have proved successful. In the summer of 1986, a farmer in Chungwon, North Chungchong Province, filed a petition asking the government to "help the farmers in the summer by devising some kind of well-ventilated protective wear for use in spraying agricultural chemicals." Upon receiving this petition, the then President Chon Tu-hwan immediately called in Minister of Agriculture and Fisheries Kwang In-song and instructed him to launch pertinent research. Under this instruction, corporations associated with the Rural Development Agency undertook the research and succeeded in turning out, beginning in 1987, improved protective wear which was not perfect but far better in quality than the old model.

It is a common knowledge that the presidential duties require a "huge budget." The president, who is also the president of the ruling party, has a "duty" to furnish election funds at election time and, even in normal times, occasions arise when he has to make "gifts of money" in the form of a gesture of encouragement. The sources of the huge amount of political funds is veiled in "secrecy," so even people inside the ruling circles are kept in the dark. On the contrary, the expenditure in the form of gift money is routinely paid out of the president's intelligence expense which is entered in the Blue House budget. The average amount of gifts of money routinely paid out is between 1 and 2 million won.

President No Tae-u's monthly salary is 1,604,500 won. In addition, he receives tens of thousands of won as a family allowance. For the 1988 fiscal year, 13.17 billion

won or more is earmarked as the budget of the office of the presidential secretary. The security and other ordinary expenditures as stipulated by law amount to 7.5 billion won, 58 percent of the total expenditures. In addition, 3.6 billion is earmarked as the intelligence expense, disposable at presidential discretion.

In addition, approximately 1.2 billion won is earmarked as an "entertainment expenditure," including expenses for receptions, tea parties, and luncheon and dinner parties hosted by the president.

Needless to say, the money the president usually spends to help the needy and relieve flood victims, as well as money paid as a token of encouragement, is defrayed from the intelligence expenditure. The budget for the gifts and encouragement money the president sends to various circles at the year-end or at the August moon festival is also included in the intelligence expenditure.

Reportedly, recipients of "pep-up funds" from the president are diverse. Rumor has it that politicians in particular account for the bulk of these funds. These politicians include all the National Assembly members from the ruling party (the amount differs between assemblymen from local constituencies and those from the national constituency), and the cabinet members. Reportedly, approximately between 2 and 5 million won was delivered to the presidents, vice presidents, and three executive officers, and spokesman of each opposition party as a gift from the president last year on national holidays or some other occasions. This amount is equivalent to the amount distributed by the president to assemblymen from the ruling party.

On the other hand, it is a fact that much public attention is focused on how the reorganization of the president's secretarial staff will be carried out following the transfer of power. For the moment, the new administration seems to be going slow in reshuffling junior secretaries with ranks below grade-1. It appears that the current atmosphere of the office of the Blue House secretaries suggests that "dark clouds" are gathering overhead, presaging a considerably extensive personnel reshuffle in the future.

Speaking of the size of the secretarial staff of the Blue House in the days of the Fifth Republic, it has gradually increased with more and more secretaries hired over the years. In the office of the senior secretary for public information, for instance, the number of secretaries increased from 3 to 7; and in the office of the senior secretary for political affairs (currently the office of the senior secretary for administration), the number of secretaries increased as a result of the creation of new posts, such as the posts for the secretaries for labor and security affairs.

According to the past practice, when more secretaries need to be hired, the senior secretary recommends an increase in the size of his staff to the president, giving the

reasons why the increase is necessary, and when approval is given, he furnishes the president with the names of a number of candidates for each post so that the president can make his choice from the list. When junior secretaries are to be replaced in ministries and agencies, the practice is the same. The senior secretary concerned gives the president the names of a number of candidates, and the president makes his choice.

On the contrary, there were quite a few cases in which a "particular person" directly designated by the president was hired as secretary. The Blue House staff is made up of secretaries appointed in these ways.

Experience in the past indicates that the style of running the offices of the presidential secretaries could differ between different administrations, depending on the presidential philosophy of government. In the days of the Third Republic, President Park Chung-hee ruled the country by using the office of his secretary, the presidential security force, the Central Intelligence Agency, and the Republican Party as his power base and counterbalancing them against one another. At one time, he created a "powerful office of the presidential secretary."

Critics say that compared with those days, the office of the presidential secretary in the Fifth Republic was relatively weaker. Since his inauguration, President No has been advocating the policy of "forbidding the presidential secretaries to interfere in the affairs of the cabinet," and this makes people anxious to know how the style of running the office of the president will change under his administration.

With its opening to the public, the veil of the sanctum of power has begun to be lifted. The new president has begun to return part of the presidential power, which was so formidable in the past, to the people. The features the Blue House will maintain in the future will be a yardstick for measuring the substance of the "era of the ordinary man" as referred to by President No.

13311

Paper Deplores Public Officials' Involvement in Campaigning

SA 190725 Seoul CHOSON ILBO in Korean
17 April 88 p 2

[Editorial: "Ministers, Regain Your Reason"]

[Text] President No Tae-u, who was on a tour of local areas, on 15 April in Kwangju, introduced the DJP candidates [in electoral districts in Kwangju] to representatives of all walks of life in this area. We believe that this has greatly damaged President No's promise for fair and neutral elections.

It is understandable in view of party politics that in the capacity of DJP president, President No introduced his party's candidates. However, in a situation in which

public officials' involvement in election campaigning and cabinet ministers' open support for the ruling party's candidates are rampant, such behavior of the president may encourage this. This is the reason why we believe so.

Indeed, these days, ministers openly make official trips to local areas. We are not sure whether they do so in order to follow someone's instruction or to maintain their political life. However, ministers and high-ranking public officials under them are busy visiting their hometowns, supporting the ruling party's candidate there, and making various public promises for local projects. DJP Chairman Chae Mun-sik is going around calling on public officials in local areas to assist the ruling party's candidates as if it were a matter of course for them to support the ruling party's candidates.

However, in the past, public officials, even though they engaged themselves in election campaigning by using public authority, at least, pretended to do them secretly. They tried to play innocent even though everyone knew what they were doing. However, these days, public officials are openly engaging themselves in election campaigning. Does this mean that they have become so bold as to think that it is all right for them to get involved in elections and to campaign in favor of specific candidates?

We have no intention to take the trouble to explain the meaning of fairness and fair elections. It is useless to do so under circumstances in which, even if we do so, no one will take heed. We would only like to tell the prime minister, ministers, and other high-ranking public officials and top-level ruling party leaders that if they continuously do so, a difficult situation that is totally unexpected may take place after the elections and that if this happens, history will hold them responsible.

Today's political situation is likely to overheat, and expand to law evasions or illegal acts. We can easily presume that at this time when a new president was elected in the presidential election, when this president is honeymooning, and when it is a matter of course that this regime will last 5 years at any rate, there is no public official who will neglect to show "loyalty" or protest "instructions." The firmer the future of a regime looks, the more eagerly weak-minded followers gather around it.

A pitfall lies here. As they [public officials] become more indifferent to justice and fairness and as they become more utterly loyal to public authority, they are apt to misjudge circumstances and, as a result, to openly commit serious wrongdoings without a sense of guilt. Those people in the government and the ruling party must know that if serious wrongdoings are found, the situation will be reversed irrevocably.

Calling on ruling and opposition candidates to restrain themselves or to follow the dictates of reason seems empty talk. Nothing but money matters fall on the ears

of those people who are devoting themselves to a struggle that may determine life or death in their political career. Under these circumstances, it is top-level government and ruling party leaders who, seeing the dark cloud, must control the situation and apply a brake on it. However, they are engaging themselves in the mud of unfair election campaigning together with [DJP—FBIS] candidates.

Small District System Creates Bitter Rivalry

SK020036 Seoul THE KOREA TIMES in English
2 Apr 88 p 2

[By staff reporter Kim Chang-yong]

[Text] Relatives, old classmates and even party colleagues have been turned into the hardest of foes by contests for National Assembly seats.

Such groupings have been split by desperate battles just as ordinary rivals have been estranged from each other by the revival of the small constituency system that does not reward the runner-up as the 16-year-old medium-sized electoral formula did.

One instance is the case of Rep. Pak Chae-hong and Pak Chun-hong, both nephews of the late president Pak Chong-hui.

Electioneering for Rep. Pak of the ruling Democratic Justice Party means the persuasion of the other Pak, a nominee of the New Democratic Republican Party [NDRP] for Sonsan, Kyongsangpuk-to, to give up competition.

Kumi is an industrial city, created at his home town with the president's initiative, and is still under his lingering influence. The NDRP, led by Kim Chong-pil, prime minister under Pak's administration, claims to be the successor to Pak's DRP [Democratic Republican Party].

Rep. Cho Hong-nae of the Reunification Democratic Party and former lawmaker Cho Il-che of the NDRP, running in Uinyong-Haman, Kyongsangnam-do, are both from the Haman Cho clan. The ex-Assemblyman is an uncle of the RDP legislator.

Rep. Chong Sun-tok, former DJP secretary general and one of the key architects of Chon Tu-hwan's fifth Republic, is being challenged by RDP's Rep. Kim Tong-uk, his elementary school friend, for Chungmu-Tongyong-Ko-song, Kyongsangnam-do.

Yi Kyu-hyo, dismissed as construction minister for a remark defaming Cholla people during December presidential campaigns, and his key competitor Kim Chong-ha are also close schoolmates. Ex-lawmaker Kim is seeking a seat in Changwon, Kyongsangnam-do, as an independent candidate in protest against the DJP's dropping him from nomination.

There are many constituencies in large cities where alumni of prestigious local high schools are vying for the Assemblymen's golden badges.

RDP floor leader Kim Hyon-kyu, who moves into Chung-gu in Taegu and out of Kunwi-Sonsan, is struggling with Yu Su-ho of the DJP, his senior at Kyongbuk High School by seven years. Sonsan has a strong candidate, Kim Yun-hwan, ex-chief secretary to Chon Tu-hwan and No Tae-u's high school friend.

Yi Chae-hwan, just-retired Assembly secretary general, who saw a last-ditch contest with Taejon High School junior, Rep. Choe Sang-chin, DJP vice spokesman, for party candidacy, is in rivalry with his senior Kim Tae-yong, RDP spokesman.

Another candidate for So-gu of Taejon, lawyer Pak Chong-son of the NDRP, was Yi's junior at the high school. Taejon, capital of Chungchongnam-do, is a stronghold of Kim Chong-pil's party.

In the Feb. 12, 1985, elections, Yi failed to get re-nomination for Chung-gu district which elected his lawmaker in 1981, being forced to cede it to Rep. Kang Chang-hui, younger alumnus and a favorite of former president Chon.

Yi Chol-sung, elected to seven terms from Chonju, Chollapuk-do, and his challengers, Son Chu-hang of the Party for Peace and Democracy [PPD] and Tae Ki-pyo, professor-turned DJP nominee, are all graduates of Chonju High School.

Son, elected from nearby Ymsil while in jail in violation of the Parliamentary Election Law earlier, is trying to defeat the veteran politician who has defied opposition leader Kim Tae-chung's formidable influence in overall Cholla provinces.

He is publicizing his dissident career, emphasizing loyalty to the PPD founder.

In Inchon, several graduates of Chemulpo Highschool are running counter with each other.

The DJP's Kang U-hyok, former senior presidential secretary for political affairs, graduated 18 years before Yi Won-pok of the RDP, but now they meet to battle for Nam-dong district in the port city. Yi is a secretary to Kim Yong-sam.

Numerous are one-time party colleagues who have now fallen out with different party memberships.

Rep. Kim Wan-tae, chief policy-maker of the RDP until his sudden defection weeks ago, is running on the DJP ticket, while his main opposition counterpart Yi Chae-chol, businessman, was the ruling party's deputy chapter head for Chinchon-Umsong, Chungchong-pukto. Yi was given NDRP nomination.

Former health-social affairs minister Chon Myong-ki of the DJP encounters as a rival ex-lawmaker Pak Chan of the RDP in Chungnang-B of Seoul, who escaped from Kongju, Chungchongnam-do, a seat expected to be a one-on-one battle between the DJP and the NDRP.

Chon and Pak were close associates in the old main opposition New Democratic Party in the 1970s.

Reps. Choe Un-chi of the DJP and Yu Song-hwan of the RDP, both running in So-gu B of Taeg, were members of the New Korea Democratic Party, which became a splinter party with the defection of Kim Yong-sam's and Kim Tae-chung's followers early last year.

Rep. Hwang Pyong-u of the DJP and Kim Chan-u of the RDP once also belonged to the NDRP.

Coe and Hwang were among 14 lawmakers who joined the government party shortly before the presidential campaigns last November. Half of them were nominated as DJP candidates for the forthcoming elections and the other half excluded.

Form of Government To Provide Election Issues

SK050215 Seoul THE KOREA TIMES in English
5 Apr 88 p 2

[Text] Controversies over the form of government between the presidential system and the parliamentary cabinet system are expected to flare up again during the campaign for the forthcoming parliamentary elections.

The major opposition Reunification Democratic Party suspects that the government party will attempt to revise the current Constitution to adopt the parliamentary cabinet system after the Olympics.

Acting RDP president Kim Myong-yun declared upon the inauguration of its election center yesterday that the RDP will deter such attempts by the Democratic Justice Party, by all possible means.

"The ruling DJP is plotting to revise the basic law to introduce the parliamentary cabinet system in a joint step with a third opposition party," the acting RDP president said.

He was apparently referring to the New Democratic Republican Party whose president Kim Chong-pil is known to favor the parliamentary cabinet system as the next form of government.

"Key figures in the Sixth Republic are more cunning than their predecessors who expressed their clear-cut position on major political issues including the form of government. But the Sixth Republic (led by No Tae-u) is hiding its intention on this important matter," the acting RDP president said.

Kim said his party seeks to secure some 100 Assembly seats, thus frustrating the DJP attempt to rewrite the Constitution.

"Our party parliamentary candidates will, therefore, appeal to the electorate to help our party prevent the ruling party from revising the basic law," Kim said.

Asked if there is any concrete sign of the DJP taking such an action, Kim did not give a clear-cut answer, just saying, "We can sense it through recent political developments."

Kim Tok-yong, chief secretary to former RDP president Kim Yong-sam, recalled that President No Tae-u said during the December presidential campaigns that the unchangeable line of the DJP is for the parliamentary cabinet system.

The DJP accepted the opposition demand for the direct presidential election system in the eight-point democratization package announced by No last June and the DJP president was elected as president through the December election.

The government party has to secure two thirds or 200 Assembly seats out of a total of 299 to revise the just-amended basic charter of the nation in the new parliament.

The acting RDP president's remarks were understood as a desperate attempt to turn the forthcoming general elections into a contest between the ruling party and the RDP.

Meanwhile, the RDP launched its election center yesterday to be led by acting party president Kim, readying itself for the general elections.

Kim Tok-yong was appointed as the spokesman of the election headquarters.

Prosecution Focusing on 'Stashed' Funds

SK250133 Seoul THE KOREA TIMES in English
25 Mar 88 p 1

[Text] The thrust of prosecution investigation is now directed to following up allegations that former Saemaul (new community) Headquarters chairman Chon Kyong-hwan stashed a lot of wealth in a maze of bank accounts, stock and land investments under false names.

About 20 officials of the Saemaul organization are now being questioned to elucidate questionable financial dealings of Chon and the Saemaul body. Chon is a brother of ex-president Chon Tu-hwan, who is now in the United States.

Prosecution sources said investigation has gained momentum with the supply of information that Chon has two or three numbered bank accounts, which are believed to have been used for hiding wealth.

Investigation is also directed to the allegation that Chon invested in stocks and real estates as well as diverting wealths overseas.

For the investigation, officials from the Securities Supervisory Board and the Office of Bank Supervision and Examination are being consulted to track down wealth allegedly hidden by Chon.

In the meantime, another prosecution source let on that there are some difficulties finding concrete evidence at the moment despite ample circumstantial gunsmoke.

However, he said the prosecution will have no trouble at all in securing evidence needed to incriminate Chon.

Prosecution authorities said Saemaul officials are also in for arrest, pending the results of the on-going investigation.

The Saemaul officials questioned in tracking down the allegedly hidden wealth of Chon include Hwang Hung-sik, chief of general affairs of Saemaul Shinmun; Mun Chong, PR official; and accounting office chief. Hwang is Chon's brother-in-law.

According to the outcome of investigation, Chon tried to use about 10 billion won accruing from the sales of import cattle in 1983 as Saemaul funds. However, the plan fell through due to the strong objection of the Agriculture-Fishery Ministry. The money was contributed to the fund for the promotion of the livestock industry.

Meanwhile, Yi Kang-hwan, president of Daehan Kyoyuk Life Insurance Co., was interviewed in connection with the controversial purchase of worn-out ship.

He was learned to have said that he was left in the dark about the purchase. He only made a capital donation to help the Saemaul project.

The boat was imported to be used as floating training facility for Saemaul youths. However, the project got stalled in the middle due to safety problem, the boat being too worn out.

The prosecution is also delving into the whereabouts of 2 billion won which accrued from the operation of the Saemaul daily from 1981 to 1985. The profits are said to have been used for investment in land.

Meanwhile, an investigation is going on in Taegu into the controversial construction of Park Hotel.

Chon was learned to have talked related officials of Taegu city administration into granting a license even though the site was not zoned for hotel construction.

An investigation is also underway into the dubious purchase of a large acreage of land in Ulsan, Kyongsangnam-do, by the Saemaul Headquarters.

The land was originally owned by Yi Hu-rak, former director of the powerful Central Intelligence Agency, predecessor of the Agency for National Security and Planning.

Yi wrote off the land, giving it to the government during the grand purge initiated by former president Chon in the wake of the death of former president Pak Chong-hui.

Paper Reports Younger Chon Used 4 Passports, 11 Occupations on Trips
SK250143 Seoul THE KOREA HERALD in English
25 Mar 88 p 3

[Text] Chon Kyong-hwan made 25 overseas trips from 1981-87 while leading the Saemaul (New Community) movement, it was learned.

While making the trips, Chon used 11 different occupations to identify himself on immigration cards, including a diplomat.

Most of the trips coincided with the then President Chon Tu-hwan's overseas tours and the regular or special National Assembly sessions.

Observers presume that the Saemaul leader went abroad whenever the then President Chon, his elder brother, made state visits to foreign countries. During the Assembly sessions, they say, the younger Chon was believed to have left the country to avoid possible Assembly interpellation on malpractices perpetrated by the Saemaul Undong Headquarters.

They do not rule out the possibility that Chon used the trips to transfer assets abroad.

During his tenure as secretary general and chancellor of the Saemaul headquarters, Chon obtained four passports, two of them diplomatic.

It still remains a mystery how the diplomatic passports were issued to a non-diplomat like Chon.

Chon was known to have made overseas tours on three occasions on the diplomatic passports.

In 1981, he left the country on one of the diplomatic passports and toured Southeast Asian countries May 24-June 8, about a month ahead of the then President Chon's 13-day state visits to ASEAN countries.

On Aug. 15, 1982, one day before the President embarked on a 15-day tour of some African countries and Canada, the younger Chon left for the United States.

He flew to Hong Kong on Sept. 30, 1983, about a week ahead of his elder brother's embarkation for tours of six Southeast Asian and Oceanian countries.

He returned home from Hong Kong on Oct. 10 that year, one day after the Rangoon bombing incident during the President's visit to Burma on his first leg of the six-nation tour.

The younger Chon was staying in the United States while the President was visiting Japan in early September 1984.

Also noteworthy is Chon Kyong-hwan's overseas trips timed with the opening of the National Assembly sessions.

Chon went to Japan on May 31, 1985, right after some opposition parliamentarians brought up the issues surrounding the Saemaul headquarters during the 126th special Assembly session.

In June 1986, he also stayed in Japan for about a week under the pretext of attending a meeting. At that time, overseas capital flight by key figures was a hot issue within the National Assembly during its 130th special session. Chon returned home on June 26, two days after the Assembly session closed.

Besides, he toured Hong Kong and Bangkok for two weeks from June 15, 1983. The 117th special Assembly session was held from June 14 through June 21.

In 1984, he returned home from the United States on Sept. 22, two days after the 123rd regular Assembly session ended.

Various rumors about Chon spread every time he traveled abroad. One of them involved the bloody murders of thugs by their rivals in 1986, better known to the public as "Sojin Room Saloon" incident.

Chon tendered his resignation as chancellor of the Saemaul headquarters and left for the United States on Aug. 22 that year. That day was one day after police arrested two key culprits responsible for the incident.

Seoul Daily Editorializes on Saemaul Movement Scandal

SK250934 Seoul CHOSON ILBO in Korean
25 Mar 88 p 2

[Editorial: "Judgment To Be Passed on the Accomplice of the Saemaul Wrongdoings—If We All Fail to Regain Our Sense of Shame, We Will All Become Thieves"]

[Text] It is the same as locking the barn door after the horse has run off. After watching law-enforcement authorities begin an investigation into the enormous

wrongdoings and irregularities committed by Saemaul, we realize that no one has filed a complaint against such wrongdoings and irregularities, which have been going on for so long a time, let alone considering them wrongdoings or irregularities. Does this mean that our collective sensibility has become so paralyzed that we can look at injustice and wrongdoings, but fail to see them?

Of course, we are not in a position to rail at and denounce a certain person or a certain group of people as we please. Whenever so-called wrongdoings committed under the influence of power have been unearthed, we have always called on the law-enforcement authorities to thoroughly scrape them out. Also, more often than not, those involved in such wrongdoings and irregularities come out in the open in a dignified attitude to say that they would subject themselves to legal judgment. This notwithstanding, never before has there been seen a single case of such wrongdoings, so complicated and so interwoven, untangled to our satisfaction. The Chang Yong-cha Scandal, the Myongsong Scandal, the Yongdung Development Company Scandal, and the Pomyang Merchant Shipping Company Scandal are cases in point.

There may be limits to legal action against such wrongdoings in terms of specialty-related and technical procedures and in terms of laws that deal with such wrongdoings. As long as we cannot afford to deny legal order or systems under which we live and which we support, we may have to resign to legal limits about which we can do nothing. What is more, the so-called wrongdoings and irregularities committed under the influence of power can be possible because there are groups of people who curry favor with and pander to those who abuse power to commit such wrongdoings.

For example, the Saemaul wrongdoings were possible thanks to the misappropriation of nearly 20 billion won of taxpayers' money by the Ministry of Home Affairs, which saw eight ministers come and go since the early 1980's when Chon Kyong-hwan, President Chon Tu-hwan's younger brother, began leading Saemaul Headquarters.

What is striking is that none of the eight ministers of home affairs bothered to file complaints against the Saemaul wrongdoings, not to mention the fact that not a single person among the government officials who served under those ministers has filed a complaint.

It might be that they feared those in power who were feared more than the laws themselves. Some might have themselves indulged in accumulating wealth and attaining honorable positions by calling a deer a horse. This may be why some of the prosecutors heaved a deep sigh when Chon Kyong-hwan secretly left the country on 18 March.

Whenever such enormous wrongdoings are unearthed, we find ourselves hating those who tried to have everything in our society at their beck and call and hating

more the wrongdoings by the large number of people who offered themselves to be manipulated by the chief culprits. Although our entire society now denounces the Saemaul wrongdoings, those who aided and abetted the wrongdoings may be secretly happy about the fact that their wrongdoings remain unearthed.

Perhaps, they may secretly chuckle over their fortune in corners where they are safe from any legal action. Nevertheless, legal judgment cannot be the last judgment. Even though the laws are very important in that they are instrumental in maintaining and keeping this society alive, they must realize that for men there is a sterner judge than the law. The perception of original sin governs people in the West, a society that functions on Christian civilization, and in the Orient, which is dominated by the Confucian culture, the sense of shame dwells in the people's conscience.

Do the contemporary Korean people lack both of these senses? If such a notion as "I can get away with whatever shameful things I commit, as long as they do not scrape laws," becomes a dominant idea in the minds of the people, we will all become thieves, as proclaimed by one past popular saying, "Each of us is a thief."

By taking advantage of the unraveling Saemaul wrongdoings, let us all try to return to our old selves with a sense of shame.

TONG-A ILBO Criticizes Handling of Saemaul Investigation

SK191220 Seoul TONG-A ILBO in Korean
18 Apr 88 p 2

[Editorial: "Such a Manner of Criminal Prosecution Is Inadequate"]

[Text] When a change of government takes place, it is not always necessary to liquidate the old era only through criminal prosecution. Of course, if the change of government is realized in a revolutionary manner, extensive purges and punishment are carried out against the irregularities committed before the revolution. However, in case of a peaceful change of government, particularly, if power is transferred internally in a ruling party, the irregularities of the old era are not supposed to be brought to light.

Nonetheless, this time the prosecution came forth to uncover the irregularities of Mr. Chon Kyong-hwan, younger brother of the former president. This, of course, was taken as the will of the new regime to liquidate the old era. The current regime has not easily inherited power. It has taken power in the line of the 5th Republic. But we expected that it would pioneer its future through severance, instead of inheritance.

However, judging from what has been done by the new government since its inauguration, we have come to realize that our expectation was wrong, and have come to

feel frustration that we misjudged the course to be adopted by the new government. The formation of the cabinet and Chongwadae staff, the handling of the Kwangu incident, and the nomination of candidates for the general elections can be cited. Moreover, when the course of the investigation over the case of Mr. Chon Kyong-hwan, the content of the investigation, and the content of the indictment as seen in its result are taken into consideration, we deeply feel the limit that the current government is an inheritor of the old era and cannot be freed from its influence, as was expected.

The handling of Mr. Chon's case is not only a matter of investigating his individual crimes or punishing him. In other words, it is not a punitive measure for the violations by Mr. Chon as an individual. It is a matter of dismantling the mechanism of power-abusing irregularities and eradicating their causes. It is a matter of providing a prescription to prevent the repetition of similar cases by revising the formula whereby seizing power or by being family members, relatives, or followers of the one who holds power mean the amassment of wealth. If this is the case, how money flowed to Mr. Chon, how he exercised his influence in return for the money, what was the source of his power, and how he was backed when he was exercising such impudent authority should have been fully disclosed.

Who would believe that such structural and systematic irregularities were committed only by a few leading officials of the Saemaul Newspaper Company, the New Community Movement Headquarters, and the Leaders' Education Foundation?

If Mr. Chon's crimes are epitomized as described in the indictment, he embezzled 7,367 million won, the public money of the Saemaul Newspaper Company and the Saemaul Early-Morning Sports Association; evaded payment of 1,000 million won in corporation taxes for the Saemaul Newspaper Company and other taxes; received 417 million won by getting involved in the Hyatt Hotel case; and illegally expanded or built the Central Headquarters. Even those who conducted the investigation or the one who was in charge would not believe that these were the only irregularities committed by Mr. Chon. A high-ranking prosecution official said: "The scale of disclosed irregularities is not very large. This was not because of any hidden intention but due to a limit in the investigating technology." Maybe, he is right. But why should there be such a limit? Of course, in the criminal prosecution law, there are limits of investigation such as the protection of the suspect's right to defend himself.

However, over the inadequacy of the investigation this time, we think that there must be some other reason than such limits. High-ranking government or bank officials were not even placed on the list of those to be investigated, because the purpose of the investigation was not to expose power-abusing irregularities. The prosecution is reportedly self-confident that, at least this time, the investigation did not proceed according to directions

coming from a meeting of the concerned organs. If this is true, maybe they knew what they were supposed to do, because they always acted only according to such directions.

Kwangju Incident's Nature 'Redefined'

SK010507 Seoul YONHAP in English

0450 GMT 1 Apr 88

[Excerpts] Seoul, April 1 (YONHAP)—The South Korean Government Friday redefined that the May 1980 civil disturbance in Kwangju was part of the efforts by students and citizens of Kwangju for democratization of the nation and made an official apology to the people for the incident.

The government had previously characterized the civil uprising in the southwestern provincial capital as a riot and those who participated in the incident as rioters.

In an announcement, Culture and Information Minister Chong Han-mo said that the government expresses its sorrow not only for the victims but Kwangju citizens and all the Korean people over the fact that there has been no satisfactory settlement of the incident even though nearly eight years have passed since the incident broke out.

The government feels it is regrettable that nearly 200 citizens, policemen and soldiers died in the Kwangju incident and that a large number of people were injured while many others suffered distress, the announcement said.

The government originally announced that 174 people—148 civilians, 22 soldiers and four policemen—were killed during the 10-day incident but Kwangju citizens and opposition parties have claimed there were many more casualties.

Violent Behavior of 'Wild Students' Called Disappointing, Deplorable

SK160047 Seoul THE KOREA TIMES in English

16 Apr 88 p 3

["News in Review" column by city editor Chong Un-pung: "Some Student Protests Try Public Patience Too Far"]

[Text] Developments these days are not altogether pleasant so that people may well beam with delight.

Now, the nation is getting carried away by a high torrential wave of parliamentary electioneering. Regrettably, it is so grossly smeared with all kinds of undesirables as to make people think that mudslinging, violence and vote-buying are still as much a part of electioneering in Korea as ever.

There is no distinction between the ruling and opposition camps. They are both all out for doing whatever if it is deemed good for the winning of votes.

Election law seems to have long been shoved on the backburner. In some sense, they are ineffective because law violation is so widespread.

On top of this, developments on the campuses at some universities are serious enough to make people frown. Corrupt practices by parliamentary candidates are to some extent understandable in view of election campaigns in the past.

But, students should be different from politicians, which is why people are very much permissive towards them.

Very recently, a group of students of Kyongsang University in Chinju occupied a railroad track, stopping a train. Their rampage did not end there. Some wild students mounted the locomotive and took control of the train, sending passengers scurrying out of the coaches for shelter as they were caught in the middle of an exchange of all kinds of missiles between students and police troops.

Students demanded the immediate release of students who were led away by police during an on-campus demonstration the previous day.

Due to the unspeakably regrettable incident the operation of the train on the railroad line was suspended.

In another case, about 300 students of Kumo Engineering College in Kumi held a protest, straddling a part of the Seoul-Pusan Expressway, blocking traffic flow on the nation's busiest trunk highway.

They carried out this bizarre action in order to get their school elevated to the status of state-run institutions.

The seizure of the highway was broken up by a police force firing tear gas canisters.

Railroads and highways are the arteries of the life of the nation. Under whatever situation, they should be protected. They should not be made use of by any group to push through their demands.

To the chagrin and disappointment of the public, students who pride themselves on being intellectuals, did things incompatible with their status and the expectations of the public.

At Hongik University in Seoul, a group of ROTC students stormed into the office of the student council and destroyed desks, chairs and other office supplies.

The action was a kind of tit-for-tat against an "insult" a group from the student council did to the ROTC commander, firing a tear gas canister in his office.

What deplorable behavior! Can this pass for behavior befitting the image of students, who were once the locomotive of the recent crusade for democracy.

Both sides should check themselves whether they blundered into what amounts to a kind of vendetta often seen in underground criminal rings.

At Hanguk University for Foreign Studies, a bunch of students set fire to an office of the school, dissatisfied with the lack of any arrangement for students meetings while undergoing a week-long military drill.

Amidst flood of reports about election irregularities, such wayward behavior by students add worry to the people who are already saddled with a lot of concerns such as corrupt electioneering and unending labor disputes.

If ever there is anything plausible, if not pleasant, it came ironically from no other person than former president Chon Tu-hwan.

He said early this week that he would give up all public posts including the chairmanship of the Advisory Council of Elder Statesmen, expressing regret over his failure to keep a close tab on his younger brother. Younger Chon is to stand trial on a host of charges including embezzlement and influence-peddling while reigning over Saemaul organization while his brother was in power.

Candidates' Personality, Past Career Gain in Importance

SK160113 Seoul THE KOREA TIMES in English
16 Apr 88 p 2

["Stumping News" column by staff reporter Yi Chang-sop: "Support for PPD Uncertain in Chollapuk-do; Regionalism May Not Affect Voting Patterns"]

[Text] Chonju, Chollapuk-do—In the past presidential election, the voters in the northern Cholla region showed solidarity with those in the southern Cholla area giving landslide support to Kim Tae-chung.

This time, the question is whether the voters of Chollapuk-do will again show overwhelming support for parliamentary candidates from Kim Tae-chung's Party for Peace and Democracy.

Regionalism may not be the decisive factor that will fundamentally affect the voting pattern in the parliamentary elections as all candidates from the ruling and opposition parties here are the natives of the province, observers noted.

Therefore, personality and the past career of the candidates are likely to be the most important factor in the poll, they viewed.

In the 12th parliamentary election, voters in Chollapuk-do elected seven candidates from the ruling camp and seven from the two opposition parties—five from the New Korea Democratic Party and two from the Korea National Party.

With just 10 days left for the parliamentary contest, the ruling Democratic Justice Party and the Party for Peace and Democracy are waging a neck-and-neck race in the northern Cholla province.

Kim Tae-chung got 87 percent of all valid votes in Chollapuk-do in the presidential election.

No doubt, the DJP candidates are well-known to the voters and have advantages in terms of money, organization and campaign skills.

Many of the PPD candidates are "new faces" and they claimed that they definitely lack funds.

Neck-and-Neck Race

Whether the PPD candidates command broad support from this region is a question that must be viewed skeptically at this stage.

Political observers here speculate that four candidates each from the DJP and the PPD would be sure of winning the contest if the balloting were held today.

In the remaining six constituencies, nobody knows who will eventually emerge as winners, they said.

DJP strategists assert that the PPD may not be able to (sway) more than half of the 14 constituencies at stake here even if Kim Tae-chung tries to create an opposition boom here.

Older voters, after casting their votes for Kim Tae-chung last December, seem to be tilting toward personalities, not specific parties, when they contemplate the voting in the general elections.

On the other hand, young voters still maintain strong preference for the PPD regardless of the individual character of candidates.

Thus, the DJP puts high stakes on the old people while the PPD pins high hope on the young voters.

As an election strategy, DJP candidates focus their energy on the young voters while the PPD candidates are trying to woo the support of the old people.

Kim Tae-chung came here for two days and three nights of canvassing through the 14 constituencies from Monday afternoon.

Undecided Voters

After concluding his swing through the region, Kim told reporters that the PPD boom is on the rise everywhere, adding that many undecided voters will rally behind PPD candidates as the election day approaches.

Of the constituencies, Chonju-B district is the focus of interest. Yi Chol-sung, seven-term lawmaker, seeks another four years as the nation's longest-term parliamentarian.

Yi was one of the three rising stars along with Kim Yong-sam and Kim Tae-chung in the 1960s and 1970s.

He has been, however, in the shadows in recent years outshone by the two Kims in the opposition power struggle over past decades.

Yi was alone in opposition circles when he supported the parliamentary form of government. He had no choice but to remain in the once powerful New Korea Democratic Party from which the two Kims broke away last May to form the Reunification Democratic Party.

Yi is still loved by older people here and he has staked his political career on the 13th general election, vowing to consume all his energy in the on-going campaign to be re-elected.

He is being challenged by the PPD's Son Chun-hang. Son moved his constituency to Chonju from his hometown district of near-by Imsil-Sunchang, to take on Yi whom he called a "toothless old tiger."

If Son wins the election, he will seek to take over the opposition helm from Kim Tae-chung, observers here said.

Yi and Son are both graduates of Chonju High School. But their personal relationship reached a nadir when Son proclaimed "I run for the election to beat Yi, a political figure with a dubious political line."

Son attacks Yi by saying that "what did the seven-term politician do for the development of this region."

'New Age, New Figure'

Son's aggressive manner seems to be winning the heart of young voters but not without cost.

His personal attacks draw frowns from old people, who are characteristically conservative and were brought up to respect the aged.

Another interesting contest is being waged in Chonju-A district where journalist-turned two-term lawmaker Yim Pang-hyon of the ruling camp and lawyer O Tan of the PPD are fiercely confronting each other.

The Yim-O rivalry is characterized as a showdown between political giant and novice, a Seoul National University graduate and a Chonbuk National University graduate. Yim is No. 3 man in the ruling DJP and if he loses the contest, it will be a great shock to the DJP.

PPD's O woos the voters with the catchphrase "new age, new politics and new figure."

He is chairman of the Chonbuk National University alumni association. Until now, no graduate of the local University has become a lawmaker here in Chonju.

The PPD vote is sure to be split as Yu Hun-kun, husband of once popular singer Kim Sang-hui, runs as independent after his "assured" PPD nomination was "snatched" by O at the last moment.

If Yu stays to the final stage, he will surely spoil the electability of PPD candidate O, observers said.

In Kunsan, DJP's Ko Kun is said to be maintaining a comfortable lead over PPD's Chae Yong-sok, ex-journalist and long-time dissident.

The PPD's Yi Hyop, editor of the party organ also wages a close and tough battle with DJP's Kong Chon-sop, who is son-in-law of the founder of the nation's leading underwear maker Ssangbangul.

Former Defense Minister Interviewed on Politics

SK180157 Seoul CHUNGANG ILBO in Korean
2 Apr 88 p 6

[Interview with Chong Ho-yong, former defense minister, by reporter Kim Hyon-ik—date and place not given]

[Text] Chong Ho-yong, former defense minister who called for political neutrality of the military and who realized the launching of the Sixth Republic together with President No Tae-u, recently met with the reporter and revealed a series of secrets before and after 1987.

Mr Chong explained in detail on how he prevented the military from wavering by supporting President No's will for democratization, on the background of the 29 June declaration, on the issue of dealing with Chon Kyong-hwan, former president of the Central Headquarters of the Saemaul Movement, and on the inside story of personnel administration in the military.

He made an effort to reduce one of President No's burdens by raising the issue of the Kwangju incident just before he resigned from the ministerial post of national defense. He decided to run for the National Assembly in Sokap District, Taegu, following the earnest request of the DJP.

Concerning the issue of the Kwangu incident, he resolutely stated that "in short, the military had done an excellent job. The responsibility, if one should question it, is half and half. The military did its best."

He maintained that "talking about the recovery of honor of the Kwangu residents" is right. However, emphasizing only the issue of suppression at the initial stage is wrong. Although they say that the demonstrations were peaceful, how could collective actions be possibly taken under the Martial Law? Accusing only the military without mentioning the acts violating the decrees is not appropriate. The military made all efforts to minimize the sacrifice of the citizens. I believe that remarks on responsibility of those who were not involved and so forth were made from political intentions. This is not right."

The following is a gist of the conversation shared with Mr Chong.

[Kim] I understand that when the Pak Chong-chol incident was at issue, you resigned [from the ministerial post of home affairs] calling for the resignation of all cabinet members and noting that "how can a man beat a man?"

[Chong] I courteously refused to accept the post of home affairs from the outset stressing that I was not appropriate. However, President Chon Tu-hwan asked me to accept it, and I did. I thought that the Pak Chong-chol incident was outrageous and I called for the resignation of all cabinet members. However, some ministers opposed this, noting that "this would only make the matter look big."

Yet, I stated that a general resignation was inevitable to realize politics of responsibility. In particular, I stressed resignation because those who should be held responsible showed no intention of resigning.

[Kim] I understand that the Saemaul issue was also a noisy issue at that time.

[Chong] The title of honorary president [of the Saemaul Movement] was given to the home minister. However, as I examined this movement, many problems were revealed. But I could hardly arrest the brother of the president. Thus, I made him resign from the post of president of the Saemaul Movement first. Many people were concerned [with these problems] and No Tae-u, then DJP president, seemed to have pondered over this many times. But I thought that President No Tae-u was not in the position of mentioning this only for his presidential election campaign. President No was in agony to maintain his sense of honor.

[Kim] People say that the 29 June declaration can be much attributed to your support.

[Chong] The declaration was issued according to President No's decision. I may say that I was a mere minor advisor. In fact, as the 13 April measures were announced, all the people were worried. Only a certain figure supported them. I secretly toured all demonstration sites as home minister. However, I noticed a change in the demonstrations from the previous ones. I confirmed what was the true voice of the people. Even if one may think that he is right, one should follow what the majority of other people think is right. I think this is politics.

I thought that if the 13 April measures had been issued a few months later, the people might have understood them. Thus, I learned a lesson that timing is also important in implementing a policy.

The demonstrations around 17 June reached their peak. On the evening of 18 June, my juniors in the military called on me at home and said that "now was the time to issue the order for military mobilization." However, after hearing their opinions, I judged that it was not such a time.

Neither did I think of it as a problem that could be solved by the military. I have always held the view that the military should not serve a certain person alone. So, the next morning, that is 19 June last year, I paid a visit to the director of the Agency for National Security Planning and firmly said, "Absolutely no." The director himself also thought so. However, I thought the director of the Agency for National Security Planning alone was not enough to keep the military from being mobilized as it was something that is decided by the president. Without wasting any time I quickly visited DJP Chairman No. I asked, "Does not mobilizing the military mean an imposition of martial law? The 13 April declaration cannot be solved this way. The idea of keeping the lid on public voice with force is hardly desirable." Chairman No said that he totally agreed with me. Since there was no time to waste, I urged him to recommend right away that the president revoke the idea of mobilizing the military. I also told him that one should seek a political solution, not a solution that depends on the military or police under any circumstances. In fact, I was not in a position to express my own view to the president because I always spoke plainly and was never obedient to him and, therefore, I knew I was a bit of a disappointment to him. Taking my advice, Chairman No went to the presidential residence without delay. That evening he brought home news that the president had shelved his decision.

[Kim] We hear that after that incident you actively persuaded Chairman No to change his mind in favor of the direct presidential election. Is this true?

[Chong] A few days later, I paid a visit to Chairman No at his residence in Yonhui-dong. He was the first to mention about the direct presidential election system.

He resolutely said: "We have to go for the direct presidential election system." So I said: You have decided a right thing. I, for one, do not think of the direct presidential election system as an ideal system. Nevertheless, we must follow public opinion which favors it. If you really find it unworkable, you can revise it after winning in the direct presidential election. I also urged him to part with the DJP and even turn down his nomination as a presidential candidate if the direct presidential election system is not accepted. I realized that his stand was firm which pleased me. Following this, Chairman No came up with the 8-point liberalization package. However, the only thing that had been agreed on between the president and me was the direct presidential election system. The 8-point package was the work of Chairman No and his close associates. In this context, Chairman No is a man of courage.

[Kim] Rumors had it that you had a difficult time following your appointment to the office of defense minister.

[Chong] Chairman No wanted me to work together with him in the cabinet as defense minister. I had no reason to refuse working with him. He was working for democratization. However, I told him that the president would find it difficult to bring me into the cabinet as defense minister as I was sort of a disappointment to him and as he misunderstood me. Chairman No said that he had no intention of using the military either, but he found it reliable if somebody he could trust works together with him and had asked the president, at the risk of his own position, to appoint me to the office.

Eventually, I came into the office of defense minister. Later I heard that because of me President Chon had difficulty in reshuffling the cabinet. In one way or another, I made President Chon feel burdensome towards me.

[Kim] It is said that the issue of mobilizing the military forces was considered in August, when labor disputes were at their peak.

[Chong] An emergency meeting was held at Chongwadae the day when Ulsan City Hall was on fire. As it happened, no one got in touch with me but called for me after "the decision" had been made. When I arrived there, I was notified that a garrison decree must be issued in the Ulsan area, at least. I asked for some time because the situation may change. The police have not engaged themselves since 29 June. Therefore, it was reasonable for the police to try to calm down the situation. Is it not reasonable for the military to engage itself if the police fail? When I met with President No after leaving Chongwadae, he sprang up, saying that this will "ruin the political situation." President No believed that the military must not engage in politics. I can say that we had a mutual understanding on this view.

[Kim] I heard that there was some trouble in the military's regular personnel changes at the end of last year.

[Chong] Isn't it unreasonable to effect personnel changes at a time when the next president is to be inaugurated in 2 months.

[Kim] There is a lot of talk about [your] relations with President Chon.

[Chong] He is a leader. He has an ability to make a rapid judgment of circumstances and alstrong driving force. Can't there be merits and demerits in anybody. Since he cares for formalities, he may have been somewhat disappointed at my attitude in which I unhesitatingly do what I judge is right. Also he may not have liked my attitude in which I smoked [in his presence], not adhering to formalities. However, loyalty must be expressed through work, not formalities, is it not?

[Kim] It is known that you insisted on resigning as the minister of defense.

[Chong] I felt that new wine should be poured into a new bottle and that my resignation will help President No, for whom I have worked with from the position of a friend. Also since President Chon, whom I owe in a sense, was resigning, I felt that it would reduce [No Tae-u's] burden if I also resigned. Nevertheless he asked me to run in the election and I accepted his offer. I have not thought about engaging myself in politics, but I am determined to do my best. I will work to make my district the best in the country and will show personally how politics should be conducted.

[Kim] How were you able to run in a Taegu district?

[Chong] I thought of being an ambassador if President No appoints me to the position or becoming a lawmaker in the national constituency under the proportional representation system if he gave me a seat. However I was notified by the DJP. They asked me to run in Seoul.

Therefore, after I discussed this matter with my close associates, I told them that if I am to run at any rate, "since I have a hometown, I will run in Taegu."

ECONOMIC

Consumer, Wholesale Prices Post Rise in First Quarter

SK050411 Seoul THE KOREA TIMES in English
5 Apr 88 p 9

[Text] Consumer prices soared 3.6 percent during the first three months of this year, while wholesale prices posted an 1.0 percent rise despite a series of anti-inflationary measures such as cuts in oil prices and special excise tax rates.

The figures are hefty rises in view of the 4.5 percent ceiling in consumer prices and 2.3 percent ceiling for wholesale prices projected by the government for the whole of this year.

The Economic Planning Board (EPB) said yesterday that the consumer prices climbed 1.4 percent in March from the previous month, slightly lower than the month-to-month increase rate of 1.6 percent in February.

The EPB ascribed the rise of consumer prices to the hike of school fees on March 5 and fluctuations in the aftermath of price rises for agricultural and livestock products in February.

But, the prices of industrial products began to stabilize in the latter half of March as prices of oil derivatives were cut by an average of 10.6 percent on March 10 and most agricultural and livestock products remained stable.

In its price report for March, the Bank of Korea said that wholesale prices fell 0.2 percent over March, compared with a 0.6 percent rise over February.

The drop of wholesale prices last month was largely attributed to reduced prices of industrial products following the government's action to cut prices of oil derivatives, electricity charges and special excise tax. Declines in raw non-ferrous metals on the international market also affected the wholesale price dip last month.

The EPB expects that prices will be stable in April as anti-inflationary measures will start to work later this month although some factors could lead to fluctuations including the April 28 general elections and wage hike.

Reflecting this, wholesale prices fell 0.3 percent in the 15 days to March 25 and consumer prices drooped 0.1 percent during the same period, an EPB official said.

The EPB forecast that consumer prices will rise merely 0.2 percent this month for an increase of 3.8 percent from the end of last year while wholesale prices will dip 0.2 percent for a four-month rise of 0.8 percent.

Possibility of Financial Liberalization Viewed
41070051 Seoul MAEL KYONGJE SINMUN in
Korean 2 Mar 88 p 7

[Report by Yi Paek-man: "Dubious Future of Financial Liberalization"]

[Excerpts] Internal and External Conditions Become Ripe

Is financial liberalization an impossible task? Even after the general meetings of stockholders of Seoul-based commercial banks and local banks which had just reshuffled high ranking officials on an unprecedented scale, there seems to be no progress in the hope of financial liberalization.

Financial liberalization starts from independence of personnel management. Liberalization cannot be conceived without using the power of personnel management.

Although the necessity of financial liberalization has been constantly emphasized, it seems to be beyond the control of financial authorities to change the policy.

It is true that there is no confidence concerning whether "independent management" is possible if the bank management is liberalized, and that sufficient study has not been done as to whether an overall liberalization is necessary under the current domestic economic condition.

Nevertheless, there is a consensus that financial liberalization should be achieved. The problem is where should it start.

During his presidential campaign, President No's number one campaign issue on finance was the financial liberalization and guarantee of independence to the Bank of Korea [Central Bank of Korea]. Although it might have been just a campaign slogan, it could be a good example reflecting maturity of conditions. He must have brought up the issue expecting it to be attractive to the voters. Even Pak Song-sang, governor of the Bank of Korea, who is well known for his reluctance to use the word "liberalization" emphasized the promotion of financial liberalization in his new year's address. All the governors of Seoul-based commercial banks invariably repeated the importance of financial liberalization in their new year's addresses.

The movement of financial circles is also unusual. In his press conference on 4 January, chairman of the Federation of Korean Businessmen [FKB], Ku Cha-kyong, responded to the question of "What is the secret to economic democratization?" He replied with an indirect answer, "There are a lot of comments on why the conglomerates cannot participate in bank personnel management even if they are major shareholders." He implied that bank governors should be elected by major shareholders. It has a significant implication because of the fact that not only the chairman but also most of the FKB officers are major bank shareholders.

There is no need to mention the attack from the opposition parties. They never fail to mention "government-controlled finances" when they attack the government and the ruling party. Not only during the presidential but also during the national assemblymen election and whenever opportunities arise during regular years, they bring up the bad effect of government-controlled finances. They feel that they can never overcriticize.

The position of the Finance Ministry is for promoting the financial liberalization at least superficially. There has been no finance minister since 1980 who said he would participate in the personnel management of Seoul-based commercial banks. Some ministers from

time to time expressed a desire not to interfere. There is hardly any financier who thinks that commercial bank personnel management is carried out independently. They point out that it is handled by "remote control from somewhere."

There is a new internal movement even within financial circles. There is a general feeling that "something has to be changed." They point out that independent management is possible without government interference and that the environment is such that independent management is inevitable.

The rapid change in domestic as well as foreign economic environment demands financial liberalization. Unless they build up competitive power through liberalization, they expect to lose in competition with foreign banks. They should prepare capital liberalization as of right now. Objective circumstances for shortening the time frame for financial liberalization are auspicious. The current account surplus seems to be settled after a chronic deficit.

The savings rate is comparable to the investment rate. The old fashioned government-controlled finances cannot handle the current economic reality. Not all the circumstances, however, are prompting financial liberalization. The problem of alleviating the centralization of economic power in chaebol (large rich conglomerates), which should be solved together with economic democratization, is putting a brake on financial liberalization.

It is crystal clear that chaebol will control banks if shareholders select bank officials based on democratic principles. Although the upper limit on bank stock possession is currently 8 percent, it is true that many chaebols possess more than that under a third party's name.

It is absolutely possible to control commercial banks if three or four chaebols band together. What will happen if even banks are under a chaebol's control? If chaebols control the banks in our country where their power is stronger than in any other country, it is highly possible that realization of economic democratization itself is at stake.

One S commercial bank officer said, "I am worried that chaebol factions might develop if several large shareholders select bank officers." For example, vice president A belongs to the K-chaebol faction, or vice president B, to the L-chaebol faction, etc.

More Damage in the Event of Failure

A high-ranking official with financial authority expressed his concern by saying, "Should financial liberalization develop in an undesirable way, a much worse form of privately controlled financial system would arise than under a government-controlled one. Unless there is a system which would prevent the adverse effect of large

shareholders' control over the banks' personnel management, a desirable financial liberalization cannot be expected, according to this official.

It is true that chaebols owe enormous debts to banks. It has often been pointed out that economic democratization is only superficial if financial liberalization means chaebols gain control of banks by expanding their shares through bank loans.

The attitude of financial circles in accepting the liberalization movement is also less than desired. There are many examples to prove this.

The Board of Bank Superintendents (BBS) transferred the distribution authority of checks and notes to individual banks last December. It was, of course, one of the financial liberalization programs that BBS prepared. The message was in essence a request to banks to issue checks and notes after independently checking the customers' credit.

Until then BBS distributed checks and notes to banks by specifying a certain number of checks and notes to a certain business. Of course there were a lot of complaints from banks as well as business circles. Banks used to cry out that they did not even have the financial authority independently to issue checks and notes.

When the privilege was restored, however, the situation was totally opposite what they had claimed.

From time to time, banks asked BBS to take back the distribution authority of checks and notes, which embarrassed the BBS officials.

It is not impossible to figure out the exact need for checks and notes from different businesses based on the banks' independent judgment. They are embarrassed that they cannot manage it. Various pressures can be applied on the banks for more checks and notes. There is also concern about possible misconduct on the part of their employees in charge.

If, on the other hand, they do what they were told to do by BBS, they are free from these responsibilities.

Credit Judgement Ability Dubious

The banks' ability to judge the customers' credit is very dubious. Many people are doubtful as to how well the banks can evaluate business credits. There are such doubts not only within financial circles but also without.

Banks are only interested in securing collateral when evaluating loan applications. They are not trying to seriously evaluate credit. This is because their attitude is such that they have nothing to lose as long as they have secured collateral, even if the customers write bad checks. If only they had followed such a principle, because there has been an enormous number of bad

loans. The fact that five Seoul-based commercial banks' bad loans amount to 7 trillion won [approximately \$10 billion] is beyond explanation. This is evidence that banks did not even properly secure collateral. It is this very government-controlled type of finance that has resulted in the enormous bad loans.

The banks have no choice but to follow orders to give a certain amount of loans to a specific business, independent of the banks' wisest judgement.

If they oppose the order, their survival is at stake. There are numerous people who had to leave their jobs because they did not follow the government's order.

The policy making authority has control even over the Bank of Korea.

Independence of Bank of Korea Urgent

The Bank of Korea is helping the faltering commercial banks who have been following government orders. The Bank of Korea is not a commercial bank. Therefore, they inevitably have to print money to help these faltering banks, and this in turn is the people's burden. One of the reasons why commercial banks are currently reluctant to discuss the problem of financial liberalization is that they depend on government support. Very few banks can manage to survive without government support. Like it or not, bank officers have to please the government authority.

The importance of financial liberalization also can be found in the monetary credit policy. There should be an organization which is capable of neutrality in adjusting the interest rate and currency. In general, this is done by the central bank.

There are more negative than positive aspects regarding the Bank of Korea, which is the central bank of Korea, carrying out a neutral monetary credit policy. The Bank of Korea has been harshly criticized for carrying out this role as a surrogate for the administrative branch of the government.

The fact that the governor of the Bank of Korea's personnel management problem is being talked about these days is not necessarily positive in view of financial liberalization. The fact that the governor of the central bank changes when a new government comes into power reflects the fact that the central bank is not neutral.

The 4-year tenure of the Bank of Korea governor is specified in the bank's law. It does not look good to change governors which seems contrary to the law which in effect states that the independence of the central bank is to be honored.

There are many bank officers who want to work in a government-controlled financial environment. It is easier to survive without trouble under government control. All they have to do is to follow government orders.

This is because the cry for either raising the consciousness of the officials or replacing them in order to bring about financial liberalization is getting louder. This is the internal opinion of financial circles. They insist that the so-called "change of concept" is necessary.

A statement in early February by a retiring high-ranking official in the financial circles sounds convincing.

He made the strong statement, saying, "A change of concept is easier said than done. In order to survive in a rapidly changing environment, a change of concept is necessary, and if one cannot change his concept, he should leave."

He added that in the past, although they clearly knew that they had to leave, a substantial number of bank officers tried to extend their employment by various lobbying efforts at the last minute before the shareholders meeting, and finally they ended up leaving the bank with bitter feelings.

"The suicidal goal" implies a lot to us. Kicking the ball to the already changed goal is called a suicidal goal.

At a minimum, they should try to avoid the suicidal goal. If they try to maintain the old system without knowledge of the totally changed economic environment, the system itself cannot survive.

President of Korea Credit Evaluation Company, Yi Hon-che, a symbolic figure in the late 1970's, an era of government-controlled finances, (then financial policy section chief in the Finance Ministry) said, "Our economic scale has become too big and the mechanism has become too complicated to be controlled by the government"; and "It is physically impossible for a small number of elite personnel to divide up the pieces." He insisted that circumstances have changed.

Academic circles are also seriously concerned. There is no other organization that has insisted on financial liberalization more strongly than academic circles. Because of their neutral position, their opinion is most influential. It was not simply reflected in the financial policy. At every seminar on finance, the conclusion has always been in favor of financial liberalization. The Korean Economic Society, the largest academic organization in the country, had a special session on "Economic Democratization" as a part of their annual conference last September. It is only natural that the promotion of financial liberalization was the main theme.

Surprise Personnel Change Still Prevalent

Since the discussion on financial liberalization is at a mature stage, last February's general shareholders' meeting of Seoul-based commercial and local banks drew a lot of attention from many people. Major concerns were whether or not the government would influence the personnel reshuffle, how strong the shareholders' voice would be, or such details as who would be elected governors of banks and who, officers.

It is a general opinion that although there was management personnel reshuffle on an unprecedented large scale, it does not indicate financial liberalization. There were lots of rumors that "A high ranking government official still exercised great influence on selecting bank officers." Some people criticized the outcome of the reshuffle as "pleasing the government" in a given sense rather than true financial liberalization.

There has never been a time such as this when the results of the reshuffling have been kept so secret. The old system of just making a "surprise" announcement of newly selected officers on the very day of the shareholders' meeting without going through an open evaluation has not changed in the least.

In the case of Shinhan Bank, the incumbent governor, whom almost everybody, including large shareholders, expected to be renamed, was sent to another bank, and thus even shareholders who attended the meeting were surprised. It is known that the new governor was selected according to the recommendation of a high-ranking government official.

Still, however, many people are watching with concern as to how the Sixth Republic will carry out their pledge of financial liberalization. Public opinion leans toward an assessment that the new government's view on the central bank can be determined based on who will be elected the governor of the Bank of Korea.

We cannot undervalue efforts to hasten the realization of financial liberalization.

The Finance Ministry and BBS have prepared mid- and long-term plans on financial liberalization and are carrying out their plans, one by one.

They are trying to sublate the supervisory system which interferes with every single facet of the banking business. They have simplified some of the banking administration including the abolishment of the issuing standard for checks and notes, and liberalized the management and recovery of overdue bank loans by giving the authority to banks.

They also abolished the inspection system of bank officers' duties by BSS. Instead, they plan to reinforce the system of voicing disapproval on the part of bank management.

There are no objections to the fact that the management of financial industries should be liberalized. Most of the people insist on expediting it. The main substance of financial liberalization, however, are the bank officers themselves.

It is a short cut to expediting financial liberalization to enhance the quality of those who are involved in the financial world.

Former governor of Cheil Bank, Yi Sok-chu pointed out that "Financial liberalization will be possible only when banks cultivate men who are qualified to be governors as evaluated both internally and externally."

Simultaneous Reorganization of Financial Industries

The problem which should be considered together with financial liberalization is the reorganization of financial industries. And which comes first the "chicken or the egg".

Accepting that the current structure of financial industries should be overhauled, the Ministry of Finance is discussing directions for reorganization by establishing a special committee to look into the development of the financial industry.

During the process of forming the new government, no significant meetings have been held. The Fifth Republic stopped discussing the problem of reorganizing the financial industry as the schedule for the new presidential election became fixed.

The discussion for reorganizing the financial industry stemmed from public pressure that "It should not remain the same." Only if we reshape the financial industry, can we compete with foreign countries. The existing financial system is suitable only for carrying out government or politically controlled finance. It is the general opinion that we have to create an environment which is suitable for properly carrying out market functions.

Few people, however, expect the task of reorganizing the financial industry to be carried out smoothly. Territorial fighting is directly related to the life-and-death problem for financial industries' management. It is possible that the business basis itself might be taken away with the slightest blunder.

The problem of reorganizing the financial industry cannot be viewed simply from an economic perspective. It is a problem which needs to be solved politically. Whenever there is a rumor that the financial industry reorganization is near, organizations such as short-term finance companies and mutual credit unions, being in disadvantageous positions, have been very irritated. They have expanded their lobbying efforts in every possible way. How the Sixth Republic, which is supposed

to be sensitive to public opinion and votes, will handle this sensitive issue, which has been intensified by conflicts of interests, is drawing our attention.

In September 1986, when the financial industry reorganization was first discussed, Pak Yong-chol, former senior presidential secretary for economic affairs, at a seminar sponsored by the organization of short-term finance companies surprised those attending by saying, "Even if I am minister or even president, financial industry reorganization will be difficult." He also pointed out that "The financial industry reorganization is not a matter that can be rationally accomplished based on economic theory, but is something that is adjusted according to the dynamic relationship of politics." His remarks directly showed the difficulty of financial industry reorganization.

It is doubly difficult to promote financial liberalization while maintaining the existing structure of financial industries.

Financial liberalization is not necessarily good. It is the same logic that policy-oriented finance is not necessarily bad. If the management of the financial industry relies only on the market mechanism, under the slogan of financial liberalization, money will flow into the service area, which is the most profitable area.

Bank management has to produce more profit, and to do so they have to lend money to areas which are profitable in the short term.

Even if the situation is difficult, some financial liberalization policy which is compatible with economic development should be developed.

Major Points at Issue Related to Financial Liberalization

Financial Policy

Guarantee of independence of Bank of Korea: Shift the subject of monetary credit policy from the Finance Ministry to the Bank of Korea

Liberalization of interest rate: extend the loan function of financial organizations

Reorganization of financial industries: Adjust the task area among different financial organizations

Settlement of bad loans of commercial banks: Reduction of policy-oriented finances

Privatization of government-run banks: Kukmin Bank, Korea Exchange Bank, Small and Medium Industry Bank, Housing Bank

Improvement of loan system: prevent unbalanced loans

Liberalization of establishing financial institutions

Reinforcement of depositors' protection: in preparation for bankruptcy of financial institutions

Realignment of inspection system of bank businesses

Noninterference from government financial authority in the selection of bank officers: reinforcement of officers' qualifications

Opening capital market: adjust competition timing with foreign capital

Bank Management

Guarantee the independence in selection of bank officers: settle the management system of responsibilities

Normalization of the function of the shareholders' general meeting

Exclusion of chaebol's interference with bank management: limit the upper limit on the number of stocks (currently 8 percent)

Reconsideration of bank's loan evaluation function

Enhancement of bank officers' qualification

Development of new financing techniques: in preparation of an open market system

13302

SOCIAL

Seoul National University To Lessen Restrictiveness of School Regulations

Ministry of Education Approves Changes
41070043 Seoul CHOSUN ILBO in Korean
21 Feb 88 p 11

[Text]

On the 20th, the Ministry of Education approved Seoul National University's (SNU) revision of its school regulations to eliminate the clauses banning political activity by students and expulsion of those with poor grades.

Accordingly, those 168 Seoul National University students who were in danger of being expelled because of their poor record when grades were calculated at the end of the second semester of the 1987 academic year have all received a reprieve. Also off-campus political activity by students is no longer restricted by school regulations.

According to the Ministry of Education statement, the approval of the Seoul National University's revised "School Regulation" without change, came after the

ministry's effort to persuade SNU to modify the regulation concerning the standard for the "bachelor's degree candidate student expulsion" rule rather than eliminating it totally, was not accepted by the SNU. The ministry used "lower academic quality" as the reason for modification, but SNU held to its position that enforcing a rule that a student with a 4-year grade point average lower than 2.0 will not be allowed to graduate is strong enough to control the academic quality.

The revised regulations of Seoul National University eliminate the provisions for the expulsion rule, but provide that students who either have not earned enough credits to graduate after 6 years in school or have a grade point average below 2.0 at graduation time will automatically be denied a diploma. In the case of the provision banning political activity by students, the new school regulations state that "students cannot engage either individually or in groups in conduct which interferes with the performance of fundamental functions of the schools such as teaching and research activities which violate the purpose of education." The new provisions comprehensively regulate not only political activity but various demonstrations and assemblies on campus, which might interfere with the purposes of education. In regard to this, the Ministry of Education revealed its position that under the new provision's comprehensive regulation on-campus political and other activities are actually banned because they will interfere with the purposes of education, but, in the case of off-campus political activities, it is appropriate to follow existing laws. Moreover, it is appropriate that students be treated as ordinary citizens, and made responsible for their own actions.

In addition, the revised School Regulations included that each college (and graduate school) faculty assembly, which up to now have had only a consulting function, now have their own decision-making rights, such as enacting and amending school regulations, and the establishing and abolishing of academic departments. Furthermore, the number sitting on the Board of Trustees was raised from no more than 27 to up to 40. As for leave of absences from school, they have been extended from four to six semesters, for those in baccalaureate and doctoral programs, and from three to four semesters for those in masters programs.

The Ministry of Education source stated, "In the future, when individual universities request approval for revisions in their School Regulations similar to those in the Seoul National University regulations, the policy will be to grant approval to all of them, in accordance with the goal of giving universities autonomy and responsibility for administering their own academic affairs."

Paving Way for Campus Autonomy

41070043 Seoul CHOSUN ILBO in Korean
21 Feb 88 p 10

[By Chong Sei-yong: "The Road to Autonomy in Managing Universities Opened"]

[Text] The Ministry of Education's overall approval of Seoul National University's revisions of its school regulations is being taken as a major turning point in the recovery of university autonomy, in that authority and responsibility for student guidance and the administration of academic affairs have been entrusted to universities.

For a time, the Ministry of Education, besieged by revisions of school regulations and beseeched by Seoul National University for "overall approval," rigidly confronted them with counter demands for "limited modifications." However, in line with the movement toward the autonomy in academic institutions, this confrontation ended with concessions by the Ministry of Education.

Actually, the Ministry of Education, which had taken the lead in calling for fostering an atmosphere conducive to study and which had been sending out directives on policies for quality control in universities, had been reluctant to approve the proposals for revisions in the school regulations at Seoul National University. The ministry's reason was its concern that, at the slightest provocation, college campuses could become political stages and academic quality could decline because of lack of control over grades. There was also the additional concern that, when approval was granted for the school regulations of Seoul National University, which represents the nation, other universities in inferior circumstances would fight and demand approval for new school regulations based on those of Seoul National.

However, in the case of the troublesome clauses banning political activity, it is contradictory to ban across-the-board political activity by college students 20 years old and older, who in reality have been guaranteed the right to vote. The Ministry of Education has been under tremendous strain as it has encountered objections by universities and students that it is not logical for the current regulations to cover off-campus activity as well, when in actuality the restraining hand does not reach that far.

If the regulations banning political activity are removed, there will be a misunderstanding that all political activity, whether off or on campus, is allowed. Worried that frequent on-campus gatherings such as political rallies and political meetings serving the interests of political parties and organizations will harm research and teaching, which are the essential functions of the university, the Ministry of Education thought that it would be desirable to restrain political activities on campus with specific language. With this in mind, the Ministry of

Education has been directing public opinion through seminars for the entire nation's university presidents and deans and through meetings for directors of academic affairs and directors of student affairs.

As for the provision for expulsion as well, its effectiveness has been diminished by the removal of graduation quotas and the system of reciprocal evaluation. In addition, there are many who object that this is an extra-educational means to control student activities. The situation is such that the Ministry of Education can not even ask for changes in school regulations calling for administering academic affairs through warnings for low grades and limits on the length of time students can spend as students.

The Ministry of Education's approval of Seoul National University's school regulations implies that it now will be faithful to the spirit of autonomy of academic institutions, which makes universities responsible for university business.

It is understood that from now on, because universities will themselves rigorously enforce their school regulations and will discharge fully the responsibilities that accompany autonomy, the essential functions of the university will be carried out and also activities detrimental to the aims of education can be prevented. With this in mind, the road has been opened to autonomy, replacing the sword of regimentation.

Accordingly, other universities as well seem to be hastening the task of revising their school regulations to conform to reality. In particular, it is becoming certain that those universities which delayed disciplinary punishment in the second semester are hastening in mid-February to revise their school regulations and save those who were about to be expelled.

Nevertheless, there still remains an area of concern. That is whether a university without experience in autonomy can, while withstanding pressure from students and parents, create school regulations appropriate to the special characteristics and conditions of that university.

Of particular note, specialists in education and those concerned in the Ministry of Education explain that, if the elimination of the clauses banning political activity are taken to permit all political activity, and if the ending of expulsions is taken as abandoning quality control of the baccalaureate, this would be moving in a direction contrary to genuine autonomy.

Of course, the Ministry of Education, as a ramification of autonomy, has a policy of changing step-by-step the system for approving revisions of school regulations to a system of ex-post facto reports. However, the ministry emphasized that it is important that universities themselves establish the academic administration and student

guidance systems for which they are responsible, that they autonomously create an atmosphere conducive to study, and that they improve the quality of students.

Specialists in education are saying that for universities which cannot themselves maintain an atmosphere conducive to study and cannot improve the quality of students, it is urgent that a social atmosphere of natural selection be adopted.

One professor appointed to Seoul National University said that "more autonomous administration of academic affairs demands the enthusiastic participation of the entire faculty."

09953/06662

SCIENCE & TECHNOLOGY

Analysts Predict Automakers' Expansion Plans May Glut 90's Markets

SK181139 Seoul YONHAP in English
0536 GMT 13 Apr 88

[Text] Seoul, April 13 (YONHAP)—The ongoing facility expansion in south Korea's auto industry coupled with the current increase in demand at home and abroad may result in serious overproduction in the 1990s, business analysts said Thursday.

According to the analysts, the nation's automakers, encouraged by the boom in their industry in recent years, are pushing ahead with plans to expand their facility investments despite the risk that auto production may glut the global market in a few years.

Domestic automakers' yearly production capacity currently stands at 1.59 million units: Hyundai (785,000), Daewoo (465,000), KIA (300,000), Asia (25,000) and Ssangnyong (17,000).

The 1.59-million figure is close to the companies' 1988 sales target of 1.36 million to 1.40 million units but many analysts argue that further attempts at facility expansion will involve business risks arising from uncertain demand after early 1989, as partly indicated by the poor U.S.-bound export performance of some auto companies in recent months.

Meanwhile, Hyundai has launched the construction of an 810-acre driving test site in Kyonggi province, and Daewoo plans to build a second plant in the southwestern coastal region, with a yearly production capacity of 700,000 cars.

KIA intends to open a second plant on the central west coast by 1991-92, which will produce 600,000 cars annually.

With the minimum yearly production capacity of Hyundai's projected second plant estimated at 300,000 cars, Korea's auto industry is likely to produce 3 million cars annually by 1990, marking a twofold increase from the current level.

The operation of Japanese auto production plants in the U.S. market this year, however, is expected to result in the excess production of 1.4 million to 1.6 million small cars in the U.S. market, jeopardizing Korean automakers' U.S.-bound exports.

Analysts say that since the likelihood of Korea exporting cars to China and other communist nations is still uncertain, it is too early to rely on non-U.S. markets to absorb the overflowing car production.

FOREIGN RELATIONS, TRADE

Government To Encourage SDI-Related Industries

SK160109 Seoul YONHAP in English
0058 GTM 16 Apr 88

[Text] Seoul, April 16 (YONHAP)—South Korea, buoyed by its possible participation in the U.S. strategic defense initiative (SDI), will encourage domestic industries to actively participate in the program, in a bid to acquire more high-technology.

Government sources said on Saturday that the U.S. government is considering south Korea's partial participation in the program also known as Star Wars.

The sources said the government plans to clear the way for the private sector to take part in six fields of SDI projects, including laser and new materials development, beginning next year.

The government hopes to complete its talks with the U.S. government on the SDI projects and finalize details for Korean industries' participation by the end of this year, according to the sources.

The sources added that the government will allow the private sector to determine who will take part in the projects and also secure needed capital.

They said the government's decision resulted from its recognition that Korea will soon face difficulties in maintaining its industrial competitiveness unless further advanced technology is developed.

Seoul Daily on Possibility of Economic Cooperation With Soviets

SK050134 Seoul SEOUL SINMUN in Korean
1 Apr 88 p 2

[Editorial: "The Soviet Union's Approach to South Korea Which Is Rising to the Surface"]

[Text] Amid a tendency in which the Soviet Union's approach to East Asia is rising to the surface, a report recently stated that the country would establish a trade

mission in South Korea after the Seoul Olympics are over. The Soviet Union's so-called eastward policy has completed its ground-level work with the declaration in July 1986 by Gorbachev, general secretary of the CPSU, that Vladivostok will be open to foreign countries and with the subsequent establishment of the Southeast Affairs Bureau in its ministry of foreign affairs.

Along with this, the Soviet Union has expressed its willingness to join GATT and the Asian Development Bank. The Soviet Union also sent its observer to a meeting of the Pacific Economic Cooperation Council [PECC] held last year. On 26 March, Nikolay Ryzhkov, chairman of the USSR Council of Ministers, disclosed that his country has established a new organization called the Committee for Asian-Pacific Economic Cooperation in an effort to strengthen economic cooperation with countries in Asia and the Pacific. The establishment of this new committee is believed to be a preparatory step to officially join the PECC at its conference scheduled to be convened in Osaka, Japan in May.

Shortly after Yevgeni Primakov, chairman of the Soviet committee for Asian-Pacific Economic Cooperation, hinted at the possibility of economic cooperation with South Korea, a foreign press report stated that the Soviet Union would establish a trade mission in our country.

In light of a series of measures and moves that the Soviet Union has recently made, we can guess that changes are taking place in Soviet policy toward our country. As disclosed by a recent issue of the U.S. economic magazine, FORTUNE, the Soviets' eastward policy is designed to expand economic cooperation with the Asian region which will become a rich and powerful economic region in the 21st century. On the other hand, the Soviet approach to our country is, it is believed, not only because of the fact that Communist China and East European countries have already expanded contact with our country through trade and exchange of culture and sports, but also probably because of its possible judgment that it would be easy to apply the model of our economic growth to its own economic development. The Soviet Union has a strong desire to increase the rate of industrial growth by 4.6 percent during the 12th 5-Year Plan period from 1986 to 1990.

Today the Soviet Union faces a situation of further expanding its international trade and international division of labor to materialize its long-range vision for doubling its GNP by the 21st century. Of the countries with which the Soviet Union can achieve economic cooperation, new industrial countries in Asia and South Korea in particular are the best target countries for its international trade and international division of labor. If the Soviet Union had no obstacle to its approach to South Korea, namely North Korea, it would have already asked South Korea to allow establishment of its trade mission in Seoul.

The bottleneck of economic cooperation between South Korea and the Soviet Union is none other than North Korea.

Economic cooperation, including expansion of trade, between South Korea and the Soviet Union depends on how to remove this obstacle. Although there is the possibility for opening trade and for cooperation in the fields of natural resource development and construction, such possibilities cannot be completely materialized as long as the obstacle, namely North Korea, exists.

Therefore, we do not see that the prospects for economic cooperation with the Soviet Union are bright. If the Soviet Union really wants to have economic cooperation with us, it should actively persuade North Korea to seek an open-door policy. We should also seek ways for cooperation in trade with North Korea. Along with this, our authorities concerned should map out a long-range program for economic cooperation between our country and the Soviet Union and, at the same time, find ways for civilian-level economic cooperation with the Soviet Union.

Country To Send Economic Delegation to East Bloc in November

SK160011 Seoul THE KOREA TIMES in English
16 Apr 88 p 6

[Text] An economic delegation composed of business leaders will be dispatched to the Soviet Union, Hungary, Yugoslavia, East Germany and Poland in November for the promotion of trade with them.

Business sources said yesterday that the government has decided to send an economic mission to the five Communist countries around November after the Seoul Olympic Games to pave the way for opening direct trade with them. The Seoul Olympic Games are slated for Sept. 17-Oct. 2.

They disclosed that the government initially sought to dispatch the mission in June but delayed the plan to November because negotiations with some of the five Communist countries have not been completed yet.

Instead, the Korea Trade Promotion Corporation, a semi-government organization, will hold a show in Hungary and Yugoslavia in July.

During the show named "Korean Week," the corporation will feature Korean products and performing arts.

Since the start of this year, the government and business circles have combined efforts to open direct trade with the Communist countries with which Korea has no diplomatic relations.

As a result, the nation has opened direct trade with Hungary with the establishment of trade offices on a mutual basis, specifically one in Budapest and the other in Seoul.

Yugoslavia will also open its trade office in Seoul probably in June.

It is also reported that East Germany and Poland will set up their trade offices during the second half of this year to open direct trade with Korea.

Meanwhile, the nation's trade with China and other Communist countries last year broke through the \$2 billion level for the first time.

According to the relevant government authorities, the nation exported \$770 million worth of products to China last year, while importing \$950 million worth of goods from China.

On the other hand, the nation's exports to the Soviet Union and the Eastern European Communist countries amounted to \$220 million, compared to its imports of \$130 million worth from them.

It is learned that some 670 domestic business concerns are engaged in direct or indirect trade with the Communist countries at present.

Principal Korean products which are exported to China generally comprise steel, electronics, textiles and freezing machinery, while the nation chiefly imports crops, coal, silk and now cotton from China.

In trade with the East European Communist countries, the nation has mostly exported textiles and footwear but the shipment of electronics has been rising sharply these days.

In contrast, the nation has imported coal and machinery from Czechoslovakia, furs from the Soviet Union and chemical products from East Germany and Romania.

Textile Operation to Caribbean Expanding

SK010644 Seoul YONHAP in English
0623 GMT 1 Apr 88

[Text] Seoul, April 1 (YONHAP)—South Korea's textile industry, seeking to take advantage of cheaper labor costs and favorable export conditions in the U.S. market, is expanding its business operations to Caribbean nations.

A total of 32 Korean textile companies are operating in the region, where more than half of their entire overseas production facilities are located.

As a result of the growing protectionism in the United States and the appreciation of Korea's won currency against the U.S. dollar, 20 Korean textile firms have

made inroads into the Caribbean region in the past two years — 15 in the Dominican Republic, six in Costa Rica, four in Jamaica, three in Panama, and two in Saint Lucia.

Yuhwa Trading Co. Ltd., the first Korean firm to advance into the Caribbean, set up a textile plant in the Honduran city of Puerto Cortes in 1978. The plant has produced 7 million dollars worth of jackets annually for exclusive shipment to the United States.

Yuhwa has grown to become one of the largest textile plants in Honduras with a work force increasing from 100 to 540 in a decade.

Yuhwa operates another plant in Dominica with an annual production capacity of 5 million dollars worth of jackets.

Shinsung Tongsang Co. Ltd., which launched its plant in Costa Rica in 1986, exported a total of 1 million dollars worth of clothing last year, and plans to boost its turnover to 4 million dollars worth in 1988.

The ribbon-cutting ceremony for the company's sweater plant in 1987 was attended by the president of Costa Rica.

In recent years, Young-An Hat Co., Korea's top hat maker, has advanced into Costa Rica, while Sampoong Co. Ltd., a maker of men's wool suits, has advanced into the Dominican Republic.

In a related development, Hanil Synthetic Fiber Ind. Co. Ltd. plans to set up a large sweater plant in Mexico.

POLITICAL

Kim Chong-il's Work on Law-Abiding Life Hailed
41100042 *Pyongyang NODONG CHONGNYON* in
Korean 15 Dec 87 p 2

[Commentary by Kim Kwang-mo]

[Text] It is the fifth anniversary since our dear and beloved leader Comrade Kim Chong-il published the historic literary piece, "On the Reinforcement of the Socialist Law-Abiding Life."

The masterpiece that the dear leader published on 15 December 1982 is a manifesto-type work which precisely reflects a socialist society's characteristic demands and our revolutionary progress.

In a socialist society which is originally based on collectivism, people's collectivist and organizational behavior is guaranteed by the socialist law, and thus public order can be maintained. Furthermore, our revolution today, which has entered a new higher stage where we try to chucheize the whole society, demands further reinforcement of socialist law-abiding life. As the construction of socialism and communism progresses, society becomes more organized. And as social life becomes diversified, we have to continuously reinforce the legal order accordingly.

The dear leader, after making a scientific observation of this important demand in the construction of socialism and communism, published the immortal masterpiece on the meaningful occasion of the 10th anniversary of the promulgation of our country's socialist law. Thereby, he thoroughly provided complete explanations for all the theoretical and practical problems arising from the reinforcement of the socialist law-abiding life and from the establishment of the revolutionary law-abiding atmosphere.

The following problems are clearly set forth in this literary work: the inevitability of reinforcing the socialist law-abiding life, the nature and characteristics of the socialist law-abiding life, the role of the law in accelerating the socialist and communist construction and in chucheizing the whole society, the fundamental method of establishing the revolutionary law-abiding atmosphere, and the overall principles that the working class' party and government have to follow in guiding the law-abiding life.

The dear leader, Comrade Kim Chong-il's historic book "On the Reinforcement of the Socialist Law-Abiding Life" is an immortal masterpiece about law-abiding life, which newly develops, and monolithically integrates and systematizes the chuche theory on law-abiding life. It is also a classic work that pioneers a completely new dimension in the development of legal constructions and political theories for the working class.

The dear leader's writing has a significant theoretical and practical meaning in reinforcing the socialist law-abiding life and in strongly establishing the revolutionary law-abiding atmosphere.

The significant meaning of this literary work is, first of all, that it has comprehensively integrated the overall chuche theory on socialist law-abiding life.

In it, first of all, the fundamental nature of the socialist law-abiding life has been clarified after having been scientifically formalized.

The dear leader, Comrade Kim Chong-il pointed out as follows:

"The socialist law-abiding life means that all the social members work and live according to the requirements of the standards of law and regulations. The socialist law-abiding life is a voluntary and disciplinary life of the working popular masses who obey the national laws, and it is a national organizational life which makes people move in a unified manner and act communally based on the standard of law and regulations." ("On the Reinforcement of the Socialist Law-Abiding Life", monograph, p 2).

The fundamental nature of the socialist law-abiding life being scientifically clarified, clearly reveals that in a socialist society, law-abiding life becomes an independent and indispensable part of people's social life. And through the reinforcing process of the socialist law-abiding life a new road to change the people's ideology and to continuously reinforce the working class party's leading role is made clear.

In this book problems associated with the thorough establishment of a revolutionary law-abiding habit as a basic requirement for reinforcing the socialist law-abiding life, and problems associated with the principle position that the working class party and government must include reinforcing the socialist law-abiding life are extensively clarified. It has an epoch-making meaning in the development of the working class' political theory in that it has opened up a new situation in guidance through the law-abiding life in accomplishing political guidance for society.

By clarifying the fact that socialist laws are the true popular and revolutionary laws that serve to support and materialize the working popular masses' independence, the book uniquely and thoroughly shows us the revolutionary nature of the socialist laws from the perspective of their functional roles. Furthermore, the book has newly formalized the function and role of laws in the socialist and communist construction by clarifying the fact that socialist laws solidify and develop the nation's social systems and play an active role in accelerating the three great ideological, technological and cultural revolutions.

In this book, it is made especially clear that as society becomes more organized and social lives become more diversified, revolutionary law and order should be continuously reinforced accordingly. This ideology, that our dear leader clarified, is an original ideological theory that provides a completely new answer to the problem on the position and role of the law during the period of socialist and communist construction, and it has opened up brilliant prospects in the construction of the working class' law.

Furthermore, the book also extensively clarifies all the theoretical problems related to the law-abiding life including the nature and content of the socialist law-abiding life and its characteristics and superiority.

Thus, the book has great meaning as a classic which has integrated the theory of the socialist law-abiding life in a monolithic system for the first time. It also sheds light on the brilliant future of the governing activities and construction of law by the world's revolutionary people, and it is a banner which forcefully encourages the struggle to shorten the time to victory in the worldwide great work toward independence.

Another great meaning of the book is that it is a right guide which establishes strong revolutionary law and order in society, and forcefully accelerates the great work of the chuche revolution.

The value and power of any theory are defined depending not only on whether that theory clarifies the essence of natural phenomena and the inevitability of its motion, but also on how it clarifies the practical and scientific methods which can actually contribute to the revolutionary struggle to protect and achieve the popular masses' independence.

The book enables the theory of law-abiding life to demonstrate more powerfully and clarify more perfectly not only fundamental problems related to socialist law-abiding life, but the basic requirement arising from constantly improving and reinforcing the law-abiding life, and it provides detailed methods for achieving it.

The book makes clear that in order to establish a revolutionary law-abiding spirit for our entire society, all society members should make it a requirement in their life to strictly follow the established laws and regulations with correct views and attitudes toward the law. It concretely teaches the intimate connection of legal control for reinforcing ideological indoctrination and struggle and enhancing the law-abiding spirit. It is the most scientific and revolutionary principle which coincides with the characteristics of the law-abiding life itself and with the transitional characteristics of our socialist society.

In this way, the book demonstrates the only correct way to establish the revolutionary law-abiding spirit in the whole society and the way to reinforce the nation's law and order.

Moreover, the book extensively and clearly presents practical methods of reinforcing the socialist law-abiding life, including the problem which arises when the organization and guidance of law-abiding life is accepted as one of the major functions of the people's government. It sets forth practical methods of solving the problems of establishing, completing, correctly interpreting and applying the nation's laws and regulations, which are the basis of a government.

Based on all of these, the book enables all the workers and youth to have master-like attitudes when abiding by and executing laws and regulations, and it provides a firm guarantee to strongly protect and solidly develop our nation's social systems by reinforcing society's law and order. The book also provides clear guidance for accelerating the three great revolutions—ideological, technological, and cultural—by transforming workers into communist-oriented people and successfully enhancing their zeal and originality, and achieving the great work of modeling the whole society after the chuche ideology.

The dear leader's historic book, "On the Reinforcement of the Socialist Law-Abiding Life," is truly a monumental literary work, which has made an immortal contribution to the development of worldwide revolution, as well as our own, and it is great literature which makes a great contribution to the world's historic victory in the great work of chuche.

During the 5 years since it was published, the book has powerfully demonstrated its justification and great vitality in realizing the law-abiding life of our workers and youth.

Today, as the socialist law-abiding life is reinforced under the party leadership, revolutionary systems and orders have been well established in the entire society. As a result of the reinforced worldwide people's struggle to abide by the socialist laws and regulations including the socialist constitution and its solidly socialist labor laws and related rules and regulations, national works and social activities of all the workers and youth have become more organized, and everybody has to work and live in an orderly and moderate fashion. Furthermore, as a result of the powerful promotion of the three great revolutions—ideological, technological, and cultural—our nation's political, economic, and military powers have been made even stronger. In the course of accomplishing the revolutionary goal of reinforcing the socialist law-abiding life, competitions have developed to acquire the title of "model law-abiding people" and the number of the "model law-abiders" has constantly

increased. The reality eloquently speaks of the justification and vitality of the theory of the law-abiding life identified in this literary work.

The ideological theories and principles suggested in the dear leader's historic book "On the Reinforcement of the Socialist Law-Abiding Life" are the guiding principles that all of us should consistently adhere to and thoroughly accomplish in our law-abiding life in order to reinforce and to powerfully accelerate the great revolutionary work of chuche.

The vivacious and progressive younger generation should naturally lead the movement to establish the revolutionary law-abiding life in the whole society by thoroughly accomplishing the ideological principles suggested in the book.

Our nation's socialist laws including the socialist constitution are the most superior revolutionary and people-oriented laws. To abide faithfully by these laws is a sacred and responsible work necessary to strongly maintain our nation's socialist system and to thoroughly display its outstanding superiority.

All of the members of our League of Socialist Working Youth (SWYL) and young people should maintain the consciousness of being the master of our nation and society and the law-abiding spirit, and should consciously and thoroughly abide by all of the nation's laws and regulations including the socialist labor law, without any violation. The young people, in particular, should always be models in observing social order and public morality.

The young people should be aware of even the smallest inclination and element for violating the nation's laws and regulations, and should launch a strong ideological struggle. Thus, we should never allow any abnormal and unhealthy ideological element and lifestyle to take root in our society.

All of the SWYL members and young people should actively contribute toward establishing our society, filled with the spirit of working and living revolutionarily, and accelerate the victorious march of our revolution by deeper study of, and mastering and thoroughly realizing the teachings of the dear leader's book on reinforcing the socialist law-abiding life.

13302

MILITARY

Yun Ki-chong Sums Up 1987-88 State Budget

SA060525 Pyongyang KCNA in English
0505 GMT 6 Apr 88

[Text] Pyongyang April 6 (KCNA)—Deputy Yun Ki-chong, Minister of Finance, delivered a report "on the summing up of the fulfilment of the state budget of the

Democratic People's Republic of Korea for 1987 and the state budget for 1988" at the third session of the Eighth Supreme People's Assembly that opened at the Mansudae Assembly Hall on April 5.

According to the report, the state budget last year was successfully fulfilled with a new upsurge effected in all fields of the national economy and the material and technical foundations of socialism and the independent financial foundation of the country strengthened still further.

The total state budgetary revenue last year amounted to 30,337,200,000 won, or 0.1 percent above the plan.

Many new modern industrial establishments and workshops made their appearance and went into operation and a vigorous drive was waged to increase production, rationalize industrial management and practice economy by making an effective use of the economic foundations already laid in all fields. As a result, the state budgetary revenue quickly increased by 6.3 percent as against the previous year.

The total state budgetary expenditure last year was 30,085,100,000 won, or 99.3 percent of the plan and a growth of 5.9 percent above 1986. Thus the state budget last year was successfully fulfilled with an excess of revenue over expenditure amounting to 252,100,000 won while satisfactorily guaranteeing financially the policies of our party and the government of the DPRK to accelerate socialist economic construction and cultural building, increase the nation's might and improve the people's living.

In last year's state budget, expenditure for the national economy was markedly increased to 107.3 percent, of which the investment in productive capital construction to 108.7 percent as compared with the 1986 figure, in accordance with the strategic task of socialist economic construction advanced by our party.

The investment in industrial construction was augmented to 109.1 percent, as a result, vast-scale industrial construction including the major objects of the key industries were promoted dynamically.

Last year the power station constructors carried out the difficult project of excavating a 40 kilometre-long waterway tunnel for the Taechon Power Station and the vast first-stage project of the Songwon Dam and completed the assembling of the first generator of 125,000 kva at Taechon Power Station No. 2, starting power production, they also pressed ahead with the construction of the Wiyon Power Station and the Suncheon Thermal Power Plant and with the third-stage project of the March 17 power station.

In mining industry, the Soho and Sosa Coal Mines of the Anju District Coal Mining Complex were commissioned and the reconstruction and expansion projects of such

large-scale coal and ore mines as the Suncheon District Coal Mining Complex and the Musan Mining Complex went ahead vigorously last year.

the builders of metallurgical bases and steel makers in a new modern steel plant, dynamically stepped up second-stage expansion project of the Kim Chaek Iron and Steel Complex and successfully built a stainless steel and stainless steel pipe production centres operated by a new steel-making method of our own.

Last year the state appropriated a colossal amount of state fund, 1.5 times the previous year, for the chemical industry and light metal industry in order to accelerate the construction of the Suncheon Vinylon Complex and the Sariwon Potassic Fertilizer Complex.

The constructors in Tanchon area completed the expansion projects of the Tanchon Magnesia Factory and the construction of the Unsong Crushing and Screening Plant, thus raising the magnesia clinker production capacity to the two million-ton level and finishing the first-stage construction project of the Tanchon Smelter which is of great significance in laying foundations to attain the goal of non-ferrous metal ahead of schedule.

The expansion of the production capacity of cement factories and the construction of new ones went ahead vigorously last year.

The extension of the Sungni General Motor Works and the Huichon Machine-Tool Factory was pushed ahead and the Anju Orlon Spinning Mill of the Namhung Youth Chemical Complex and the Mangyongdae Aeguk Aluminium Sash Factory were built last year.

With the vigorous progress of railway construction, the Hyesan-Huju and Unbong-Chasong sections which cover a distance of 100 kilometres were opened to the traffic to link the eastern and western regions of the country and many sections were electrified.

With a vast state investment in the rural economy 8.9 percent more fund than in 1986, the irrigation, electrification and mechanization of agriculture were accelerated and more chemicals were applied to the fields and vast agricultural construction was successfully carried out.

The construction of Kwangbok Street and other major objects in Pyongyang was vigorously stepped up last year, bringing a great innovation unprecedented in the construction of the capital.

Last year the appropriations for the development of science and technology went up 32 percent, for educational work 5.8 percent, for cultural work 1 percent and for public health 4.3 percent as against the previous year.

In order to ease tensions in the country and create an atmosphere favourable for a peaceful reunification, the Workers' Party of Korea and the Government of the Republic advanced in July last year a massive phased military cut proposal, while announcing a plan to unilaterally reduce officers and men of the Korean People's Army by 100 000 men by the end of 1987, and it was successfully carried out in four months or more.

In this connection, our party and the Government of the Republic markedly slashed the appropriations for defence building originally earmarked in the state budget last year, directing 13.2 percent of the state budgetary expenditure to defence spending.

The plan of local budgetary revenue was fulfilled at 103.5 percent last year.

All these remarkable achievements in the socialist economic construction and fulfilment of the state budget last year are a brilliant fruition of the wise guidance of the great leader Comrade Kim Il-song and our party leading the revolution and construction along the road of victory.

Referring to the state budget for 1988, the reporter continued:

The great leader Comrade Kim Il-song taught:

"This year we must bring about another great upswing in all fields of socialist construction and ensure that our republic which has risen to a high level as a socialist state that has become independent, self-sufficient and self-reliant in defence, by overcoming many-fold difficulties and trials, will demonstrate its might to the whole world and celebrate its 40th anniversary as a grand festival of victors."

The state budget for 1988 has been worked out correctly with an extensive mobilization of the nation's financial resources so as to fully guarantee financially the grand construction for attaining the vast targets of the third 7-year plan ahead of the set time according to the main tasks of the socialist construction advanced by the great leader Comrade Kim Il-song for this year.

The total revenue and expenditure of the state budget for this year are equally scaled at 31,852,100,000 won, or an increase of 5 percent in revenue and 5.9 percent in expenditure as against last year.

This means that, as a result of the annual increase of the state budgetary revenue in our country over the past four decades since the founding of our republic, the state budget this year has grown more than 200 times the 1948 figure in scale.

According to the report, the outlay for the national economy is expected to increase by 7 percent above last year's to press ahead more powerfully with the grand

project and bring about a new allround upswing in socialist economic construction, and this year, too, the greatest portion of it will be directed to capital construction.

In order to expand and consolidate the productive and technical foundations of the key industries, the state will increase investment in industrial construction 11 percent above last year, of which the investment in the construction of power bases 19.2 percent, that in the construction of metallurgical industrial bases 15.2 percent and that in the construction of chemical and light metal industrial bases 22.4 percent.

We will direct considerable efforts to power industry to finish within the first half of this year the construction of the Taechon and Wiyon Power Stations, the Suncheon Thermal Power Plant and the third-stage project of the March 17 Power Station, to push ahead with the construction of the Kumsongsan, Nyongwon, Huichon, Namgang and Kumyagang Power Stations on an extensive scale and build many small-and medium-sized power stations in all parts of the country.

Thus, we will create an additional generating capacity of above 1.2 million kva within the first half of the year and make a signal advance in the construction of power bases.

In the extractive industries large-scale coal mines in Anju, Suncheon, Pukchang and Northern districts and other areas will be largely reconstructed on an expansion basis.

We will also press ahead with the project to build the Musan Mining Complex into a large-scale modern iron ore production base with a 10 million ton capacity for the present and with a 15 million ton capacity for the future, and will accelerate the expansion projects of mines in many districts.

This year the state will continue concentrating efforts on the construction of the Suncheon Vinalon Complex and press on with the projects to create production capacities of various chemical goods, including the project to create a 100,000 ton Vinalon production capacity.

In the chemical industrial sector this year, the expansion projects of the Sinuiju Chemical Fibre Complex and the Chongjin Chemical Fibre Complex will be accelerated, Hukbosan Fertilizer Plants be built up in Anju, Kumya, Kocham and other areas, and the Hamhung Herbicide Plant, the Youth Resin Bag Factory and the Kumya Saltworks be built up.

We will bring about a great advance in building a church-oriented large light metal production base this year by accelerating the construction of the Sariwon Potassic Fertilizer Complex.

We will dynamically push forward the expansion projects of the Sungni General Motor Works and the Huichon Machine Tool Plant on the one hand and build new workshops at many machine plants and widely undertake the construction of building-materials industrial bases.

This year, we will carry on industrial construction including the construction of major objects of the key industries on an unprecedented scale.

The state budget envisages colossal appropriations to capital construction to push ahead with the construction of Kwangbok Street and major projects in Pyongyang.

This year the state will increase investment in transport by 7.4 percent above last year and more forcefully push forward railway construction.

The first-stage project of the northern railway will be wound up and the second-stage project be undertaken, the laying of new railway lines in many sections be accelerated and more than 220 kilometres of railways be switched over to electric traction.

The state budget for this year envisages an increase of 8 percent in the investment in the rural economy as against last year.

In this domain, the projects of jetting irrigation covering 500,000 hectares of dry fields will be pressed on through an all-people movement, and 140 reservoirs and more than 1,600 water pumping stations be built.

The state will increase the supply of tractors 1.3 times the last year's figure, supply more electricity to the countryside and markedly increase the supply of chemical fertilizers and agricultural chemicals to expand the achievements of electrification and activate the chemicalization of agriculture.

The state budget this year envisages a 7.5 percent growth in the investment in fisheries above last year and big efforts will be directed to sea culture which is very promising.

This year we will make greater efforts to develop the science and technology of the country onto a new, higher stage and step up the construction of socialist culture.

This year's expenditure for scientific researches and technical progress will increase 1.4 times above last year.

The government of the republic will step up the automation, computerization and robotization of the national economy by expanding material and financial outlay for the rapid development of electronics, biology and heat engineering, actively introduce successes of modern biology in agriculture and livestock breeding and solve the heat and power problem more successfully.

This year's state budget envisages an increase of 6.2 percent in the appropriations for social and cultural measures above last year in order to accelerate cultural revolution and promote the material and cultural well-being of the people.

In particular, the state will supply this year the entire children and students, more than a half of the population, with fine-quality clothes, sweaters, caps and underwear and foodstuffs free of charge on the occasion of April 15, the greatest auspicious jubilee of the nation.

The local budgetary revenue this year will increase 3.1 percent and local budgetary expenditure 10.9 percent above last year.

The great leader Comrade Kim Il-song sent a large sum of educational aid fund and stipends amounting to 38,555.95 million yen in Japanese currency in 106 instalments by the end of last year from 1957 for the democratic national education of sons and daughters of Koreans in Japan. This year, too, a large amount of educational aid fund and stipends will be sent to the children of compatriots in Japan.

The U.S. imperialists who keep south Korea under their military occupation are further aggravating the north-south military confrontation, ceaselessly staging the "Team Spirit" joint manoeuvres and other large-scale war games. Even under such circumstances, this year, the government of the republic will earmark 12.2 percent of the state budgetary expenditure, far less than last year, for national defence according to the policy of our party to ease the tension of the country and bring about a favourable phase for its peaceful reunification.

The reporter pointed to the tasks arising in successfully executing the state budget for 1988.

FOREIGN RELATIONS, TRADE

U.S. 'Arrogance' Expression of Vulnerability
SK310136 Pyongyang Domestic Service in Korean
2119 GMT 28 Mar 88

[NODONG SINMUN 29 March special article: "The U.S. Imperialists' Arrogance Is an Expression of Their Vulnerability"]

[Text] In recent years, the U.S. imperialists have been adopting an audacious and arrogant behavior, deeming it their inherent right to infringe upon and trample underfoot sovereignty and national interests of other countries.

The great leader Comrade Kim Il-song has taught: The U.S. imperialists have perpetrated acts of aggression against socialist countries and national independent countries, resorting to their unscrupulous violence; have

brutally suppressed the movement for national liberation of the people in Asia, Africa, and Latin America; and have thus viciously disturbed peace everywhere in the world.

The U.S. imperialists' maneuvers for aggression against sovereignty, independence, progress, and peace are being perpetrated more unscrupulously than ever before. The U.S. imperialists' commotion of war against our Republic has become more vicious. The U.S. imperialist warmaniacs have staged again the "Team Spirit" joint military exercise against us, a test nuclear war, by dragging military strength of more than 200,000 and huge amounts of combat equipment into South Korea, crossing the wide area between the Korean peninsula and the U.S. mainland, and, thus, have taken a full readiness to invade the northern half of the Republic. The military exercise has accompanied a noisy anti-Republic smear commotion.

Because of such new war provocation maneuvers by the U.S. imperialists, an acute situation in which a war may break out at any moment has been created on the Korean peninsula. Frankly speaking, of the U.S. imperialists' military threats against other countries, there is not one that is so dangerous and explosive as their military threat against us.

The U.S. imperialists' brigandish and arrogant nature has been also revealed in the fact that they threaten with force those countries which incur their displeasure, that they meddle in the internal affairs of these countries, and that they force their will upon these countries.

The U.S. imperialists who have escalated the armed intervention in Nicaragua, using the Honduran hooligans as the cat's paws, recently sent some 3,200 U.S. military troops to the southern region of Honduras near the Nicaraguan border in a bid to intensify their anti-Nicaraguan military action.

The U.S. imperialists, in a bid to permanently hold on to the Panama Canal, a vital traffic point and a strategic stronghold, not only have kicked up a political and military commotion against the patriotic forces of Panama, but have also taken a financial and economic blockade in an attempt to create a social chaos in this country.

The audacious and arrogant attitude of the United States has also been revealed in its flagrant violations of international organs' decisions and international agreements. Recently, having decided to close the PLO Mission at the United Nations arbitrarily, the U.S. authorities are frantically trying to enforce the decision. The PLO Mission was established according to a UN decision. The U.S. Government has only the duty of protecting the PLO Mission in accordance with the agreement

concluded between the United Nations and the United States as the case of all missions at the United Nations, and, therefore, it does not have the right to close the PLO Mission arbitrarily.

This notwithstanding, the U.S. Congress has trampled underfoot all decisions made at international organs and international agreements. The U.S. opposition to UN economic sanctions against the South African racists, too, is similar to this.

The U.S. imperialists' policy of ordering its allies and followers has become more rude and unscrupulous today. The U.S. Administration, which has suffered huge trade deficits and foreign debts has forced its allies and followers to completely open their markets while raising its trade barrier. For instance, the United States has forced Japan to buy its agricultural products, including beef, oranges, and rice, by threatening this country.

On the other hand, the U.S. imperialists not only have imposed arrogant pressure on their allies which call for the withdrawal of U.S. military bases, but have also forced their will upon these allies.

Recently, the U.S. imperialists' audacious exercise of force and their insolent policy of ordering their allies and followers have been perpetrated more brutally and shamelessly. This springs from the inherent nature of the U.S. imperialists. The U.S. imperialists, the bosses of imperialists and the ringleaders of aggression, have clung to the brigandish way of thinking that no matter how violently and outrageously they act other countries dare not confront them and that they can stop at nothing to achieve their goal of aggression.

The first thing that Reagan uttered when he became president was that in order to restore the mightiness of the United States the policy of force should be enforced and armaments expanded unrestrictedly.

The Strategic Defense Initiative, called Star Wars, which contains the reckless U.S. ambition to achieve overwhelming superiority in nuclear weapons over the revolutionary forces of the world and to subdue the revolutionary forces; and the [word indistinct] war strategy which seeks to forcibly place the newly emerging nations, the Third World countries, under their domination are an expression of such an outrageous policy of force of the United States.

The Reagan ring has fully shown its doctrine of the law of the jungle through such actions as its conquest of Grenada and bombing of Libya. All facts such as the exercise of violent and outrageous force and the conquest of other countries clearly show that, today, the United States, as the so-called strong country, is making new, great strides in its actions.

What draws our attention here is the fact that in a recent letter Reagan babbled that the United States has rebuilt its defense capability and that the U.S. authorities will not conclude any agreement for the sake of agreement.

This tells us that based on the strength of the large-scale reinforcement and expansion of armaments, nuclear armaments in particular, with several trillion dollars during his 7 years in office Reagan will further advance toward armed invasion to, military intervention in, military threat and blackmail of, and military pressure on other countries and that he will not only act in accordance with the unilateral demands and interests of the United States in dealing with all international issues while ignoring all international agreements and decisions, but will also trample underfoot independence, sovereignty, and national interests of other countries without hesitation.

The brigandish acts of aggression against and intervention in Korea and the countries in Central America, the Middle East, and Africa that the United States perpetrated in recent months are precisely the products of such reactionary doctrine of the U.S. imperialists.

For the United States to act, deeming it its privilege to threaten and invade other countries arbitrarily and to trample underfoot national independence and sovereignty of these countries, is not an expression of the mightiness of the United States, but an expression of its vulnerability.

Today when the relationship among the international forces is becoming unfavorable for the imperialist and reactionary forces and when the United States has met a serious political and economic crisis, the U.S. imperialists are desperately seeking a way out of this and advancing along the road of reckless and adventurous aggression and plunder, the road of interference and war.

As a result, as the situation on the Korean peninsula and in Central America and other regions show, the international situation has been aggravated with each passing day and the danger of a new war is further increasing.

The true colors of the U.S. imperialists as the ringleaders of aggression and war have been unstintedly laid bare to the world. The road along which the U.S. imperialists are traversing runs counter to the trend of the era of independence and is destined to encounter the strong resistance of the progressive people and the peace-loving people of the world.

Because of the reactionary offensives by the U.S. imperialists, the world-wide struggle between the revolutionary forces and the counter-revolutionary forces has become more intensified. Strengthening the anti-imperialist and anti-U.S. struggle and the struggle for national independence and sovereignty and for progress and peace is an urgent task facing the people of the world today.

The U.S. imperialists' rude, outrageous, and brigandish acts of aggression and interference will only result in accelerating their isolation and ruin.

Changes in PRC Economic Policy Open Door to Closer Ties

41070042 Seoul PUKHAN in Korean
No 2, 2 Feb 88 pp 90-97

[By reporter Pak Tu-pok: "Reality and Limits of PRC's Policy Toward Korean Peninsula"]

[Text] Prologue

The PRC's recent policy regarding the Korean Peninsula has shown a more flexible and realistic tendency than in the past. This is clearly illustrated by the fact that the PRC has maintained persuasive exchanges with North Korea, while, at the same time, participating in active exchanges with South Korea. In particular, the PRC's active participation on a large scale in the 10th Asian Games held in Seoul in September 1986 can be interpreted as an intensive expression of its realistic policy toward the Korean Peninsula, and can be regarded as having provided an important opportunity for a turning point in the development of relations between South Korea and the PRC.

Such change in the PRC's policy and attitude toward South Korea can be interpreted as a direct reflection of its relationship with the entire Korean Peninsula and its overall change in the political, economic, social, psychological, and foreign policy areas since the death of Mao Tse-tung. Therefore, a comprehensive analysis of the fundamental motive of the PRC's recent policy change toward South Korea is urgently needed in order to predict the future development of relations between the PRC and South Korea and to further search concerning the direction of our policy for developing a relationship with the PRC.

In particular, if the PRC continues to advance its modernization policy and actively increase its cooperation with the West in order to overcome the existing difference between its economic system and that of Western capitalism, the importance of South Korea's location and role as a bridge for the PRC's modernization will gradually increase.

Meanwhile, the development of the relationship between the PRC and South Korea, particularly the economic relationship, will increase South Korea's dependence on the PRC in terms of overseas markets and raw material acquisition, and thus will greatly influence South Korea's future industrial structure. Therefore, comprehensive analysis and research on the development of the relationship between South Korea and the PRC are necessary to discover the PRC's influence on our industrial structure and our policy toward it.

Change in PRC's Way of Thinking Regarding the Korean Peninsula

The PRC, by no longer considering class struggle as the only driving force for the development of a socialist society after Mao Tse-tung's death, is vigorously eliminating his "continuous revolutionary theory" which is based on the theory of a transformation of class struggle into a total, absolute, and long-term struggle. By emphasizing that the party's fundamental duty will be accomplishing modernization through the development of social productivity, the PRC has shifted its policy to the area of economic and technological revolution.

In consequence, the current policy-making process, where elements of politics, revolution, and ideology of the Mao era had dominated in the past, but are presently strongly denounced, is going through significant changes and is, instead, giving more emphasis to national interests, rationality, and scientific aspects.

In the past, the PRC's world view and foreign policy were mainly a product of the revolutionary and ideological viewpoint, particularly Mao Tse-tung's ideological viewpoint. However, after Mao Tse-tung died, his ideology was specifically denied in Communist Chinese society, and the changes in its perception of other countries and its relationships with certain countries, which were either based on this ideology or were deeply influenced by it, became inevitable as revolutionary and ideological aspects were denounced in the policy-making processes.

As a consequence, since the Mao ideology, which had constituted the foundation for the PRC's views and policy toward South Korea, was being denied, and a realistic view became the dominant force in the PRC's policy-making processes, the PRC had to change its views and policy toward South Korea. Accordingly, the PRC will emerge from its blind perception of South Korea, a result of emphasis on the existing ideological elements, and will make a "factual" approach which will be commensurate with its national interest and the changes in its situation.

In addition, the PRC's existing strategic concept based on the "bloc theory" has been totally abandoned, and has been transformed into a more independent and autonomous strategic concept. It continues to make efforts to minimize antagonistic aspects and maximize friendly aspects in its relationship with international society. Also, as the PRC pursues more actively a multifaceted and less ideological foreign policy, its basic perception and policy toward the Korean Peninsula, which mainly had been formed by the theories of revolution, ideology, and blocs, are being significantly changed.

Dichotomous Phenomenon of the PRC's Policy-Making Processes

During the period when the PRC's relationship with North Korea was established on the basis of revolution, ideology, and the "bloc theory," the PRC's policy toward

the Korean Peninsula had the one characteristic of being identical to its fundamental relationship with North Korea. In other words, since the PRC's past policy toward the Korean Peninsula was formed as an extension of its policy toward North Korea, one could not find a gap between its policies toward the two. However, the PRC's new foreign policy, which is in the process of coming out of the "bloc theory" and becoming less ideological, has resulted in a dichotomy in the PRC's policy toward the Korean Peninsula.

First of all, the characteristic change in the basic relationship between the PRC and North Korea is well illustrated in the PRC's policy-making process which has denounced revolutionary and ideological elements and which is in turn reflected in its policy toward the Korean Peninsula. In other words, as the revolutionary and ideological identity between the PRC and North Korea, which provided a basic starting point for the blood pledge relationship between the two in the past, has weakened, and national interest and the principle of reciprocity, whose significance was not previously conspicuous because of the emphasis on their revolutionary and ideological relationship, have become relatively more important, their differences of opinion and position concerning practical interests and realistic problems have gradually begun to surface.

In consequence, as the PRC is increasingly adjusting its policy toward the Korean Peninsula on the basis of maintaining its own basic interests according to changes in the situation on the Korean Peninsula while at the same time maintaining its current friendly relationship with North Korea, the PRC's policy toward the Korean Peninsula has shown a "dichotomizing process."

As was indicated by the PRC's desire for the progress of a dialogue between North and South Korea and its dissatisfaction with North Korea for interrupting the dialogue, differences in the positions taken by the PRC and North Korea toward the reduction of tension and a peaceful settlement on the Korean Peninsula are gradually coming to the surface. The PRC and North Korea also do not have the same views on South Korea's economic development and North Korea's open-door policy. Such differences in basic positions and interests between the PRC and North Korea on such issues as reduction of tensions on the Korean Peninsula have resulted in a dichotomy in the PRC's policy toward the Korean Peninsula.

Democratization of South Korea and PRC's Policy Toward South Korea

Meanwhile, the trend of the PRC's two-track policy toward the Korean Peninsula, which will act as the most important background element in the relationship between the PRC and South Korea, is expected to become more specific as the new regime is launched with the recent democratization election. Even though the PRC made no official evaluation of South Korea's

presidential election result, taking into consideration the fact that North Korea might be affected by such action, the conditions which surround the situation between the PRC and South Korea gave more meaning to the fact that it did not make any official judgement on South Korea's presidential election result. For it means that the PRC has fundamentally abandoned its past practice of evaluating South Korea's political situations or election results according to an attitude which was mechanically identical to that of North Korea.

Furthermore, one can easily find strong signs that can be interpreted as a positive reaction by the PRC to the recent presidential election. First of all, it showed a deep interest in South Korea's overall presidential election process including the "29 June No Tae-u declaration," the party split by the two Kims, and their candidacies. In reporting election-related news items, the PRC's several major newspapers abandoned their existing reporting attitude which depended mainly on KCNA reports from Pyongyang and adopted objectivity of reporting by directly quoting the contents of foreign reports, or even South Korean news media such as TONG-A ILBO, thus resulting in a new trend which eliminates the existing phenomenon of refraction through the prism of North Korea in reporting South Korea's political situations.

These papers viewed the end to military dictatorship brought about by the general democratization trend in South Korea as the main issue of the election campaign, and made the evaluation that ruling against the will of the South Korean people would no longer be possible regardless of the winner. The fact that the PRC included even candidate No, who was considered a "collaborator of the Chon Tu-hwan military dictatorship," shows that it has a positive view of the No regime in South Korea's democratization process.

In particular, it is noteworthy that the PRC positively evaluated South Korea's past presidential election process as the realization of democratization. It also evaluated the South Korean political system more positively by acknowledging such facts as the institutionalized transfer of power from military to civilian rule and that such institutionalization acts as an important catalyst for economic development and political democratization.

As has been indicated above, the PRC will show a de facto positive attitude toward the No regime which was launched through the direct presidential election, and toward the issue of the legitimacy of the new regime. Such a positive evaluation of the legitimacy of the regime by the PRC will create a favorable atmosphere for its two-track policy toward the Korean Peninsula, such as expanding the unofficial relationship between the two countries into an official one.

Realism and Flexibility of PRC's Policy

Even though the flexible and realistic tendencies in the PRC's policy-making processes may vary in degree, they are nevertheless reflected in its policy toward South

Korea. This is clearly indicated in a series of incidents which occurred between South Korea and the PRC and the PRC's attitudes in handling these incidents. That is, the PRC in the past has regarded contact with South Korea as taboo and thus totally refused to recognize South Korea as a partner for negotiations or dialogue. However, the PRC has greatly changed such attitudes and has shown a tendency to recognize South Korea as an object of realistic dialogue and negotiations.

These facts are well substantiated by an important incident involving the hijacking of a PRC civilian airplane in 1983 during which time direct contacts and negotiations took place between South Korea and the PRC. The PRC at that time could have chosen to resolve the matter by the method of indirect negotiation through a third country such as the United States or Japan or international organizations such as the ICAO [International Civil Aviation Organization]. The fact that the PRC opted for direct negotiations nevertheless signifies that the PRC's policy toward South Korea has become more flexible than in the past. If such a civilian airline hijacking incident had occurred several years earlier, the PRC's method of resolving the incident would have been entirely different.

As the PRC's policy toward South Korea has become less ideology-oriented and more realistic, the factual relationship between the two countries in non-political and nonofficial spheres is currently being achieved in a limited capacity. Since a series of related changes between South Korea and the PRC have occurred in 1974 such as agreements on intermediaries for postal and telegraphic works, early release of kidnapped fishermen, and allowing South Korean residents in the PRC to visit South Korea, limited mutual visits by South Koreans and the people of the PRC are even currently being allowed.

In particular, exchanges in the area of sports have been more active than in any other areas and such vigorous exchanges in sports will have an important impact on the development of the relationship between the two countries. With South Korean participation in the eastern region semifinal games of Davis Cup Tennis competition held in the PRC's Kunming on 2 March 1984, the exchange in sports between the two countries has developed from the phase of indirect contact and into direct contact.

In addition, the 10th Asian Games held in Seoul in 1986 can be regarded as having provided an important opportunity for a turning point in the development of the relationship between South Korea and the PRC. That is, the PRC's active and large-scale participation in the Asian Games intensively indicated its intention to pursue a realistic policy of engaging in active contacts and exchanges with South Korea at any time as long as it could persuasively justify its cause to North Korea. At the same time, the PRC's participation can be regarded

as having an important meaning in developing the non-political contacts and exchanges of the last several years into de facto and official contacts.

In particular, the PRC sent an official notification of its participation in the 1988 Seoul Olympics on 14 January 1988. The PRC's participation in the Olympics will create an important opportunity for entering a new phase of developing the nonpolitical exchanges between South Korea and the PRC into official ones.

The Seoul Asian Games and the 1988 Seoul Olympic Games will not only make the exchanges between South Korea and the PRC in nonpolitical areas de facto, but will also decrease the importance of North Korea regarding the development of the relationship between South Korea and the PRC. At the same time, it should be noted that by participating in the Olympic Games it is proven that there are strict limits on North Korea's influence on the PRC's policy toward the Korean Peninsula, especially contacts and exchanges with South Korea in non-political areas.

If summarized, the increase of mutual contacts and exchanges between South Korea and the PRC in nonpolitical areas such as human exchanges can be regarded as a consequence of a realistic tendency of the PRC's perception or policy toward South Korea, which has come about because of changes in the PRC's policy-making processes and its pursuit of a new foreign policy.

Factors in Development and Impediment to South Korean-PRC Relations

If one observes the current development of the South Korean-PRC relationship, one can find the coexistence of conflicting and contradicting factors such as development and impeding factors. Such being the case, the changes that occurred after the death of Mao Tse-tung created the most fundamental and important opportunity for the appearance of these development factors. In other words, the PRC's relationship with South Korea was a direct reflection of the following factors: the establishment and development of a modernization policy based on reformation and pragmatism after the death of Mao Tse-tung, a positive posture toward the creation of a peaceful international atmosphere, a new foreign policy which endeavors to minimize antagonistic aspects and maximize friendly aspects in its relationship with international society, the pursuit of an active open-door policy, and a subsequent change in the structure of its perception of the outside world. Because the factors in the development of the South Korean-PRC relationship were brought about by the PRC's pursuit of an innovative and pragmatic modernization policy line as was mentioned above, such factors will have an inseparable relationship with the future direction of the PRC's modernization policy.

In particular, the PRC's reformation of its economic system which is being vigorously pursued in connection with the modernization policy has an important effect on the development of South Korea's economic relations with the PRC. The reformation toward a new economic system seems to actively introduce a capitalist economic system but based on the premise of maintaining the basic framework of socialist ownership such as ownership by all people. The PRC, in particular, appears to have the political goal of separating ownership and management rights, keeping the former to itself and transferring the latter to entrepreneurs in an effort to transform its economy into a more vigorous and effective one, following the trend of the changing economic system of capitalist society, in which ownership and management rights are being separated.

Such a reformation of the PRC's economic system, which aims at the zealous introduction of a capitalist economy and production methods, will create an epochal turning point for overcoming the economic differences existing between the PRC and the Western world, and thus will actively contribute to deepening its relationship with the Western world.

During the fourth plenary session of the Sixth National People's Congress, "general provisions of civil law" were adopted as a legislative measure to ensure the outcome of the reformation of the economic system and to create a favorable atmosphere for an open-door policy. The introduction of "general provisions of civil law" by the way, has been urgently needed because there were no choices left but to legally guarantee producers's proprietary rights in order to continue normal progress in producing goods in accordance with the economic system reformation, and the vigorous introduction of a market economy and because creditor-debtor relationships between civil entities have become very complicated. In particular, the entry of foreign enterprises to the PRC has been difficult in the past in the absence of basic legislation concerning proprietary rights of corporations, especially a limited partnership or a joint venture between Chinese and foreigners, and the acquisition of corporate status by companies financed by foreign investment. However, the introduction of "general provisions of civil law" has created a favorable atmosphere for foreign investment in the PRC, and thus will accelerate the PRC's open-door policy.

As was mentioned above, the reformation of the PRC's economic system, which is being developed in the direction of vigorous accommodation of a capitalist system, and the adjustment of its own economic system to that of a capitalist system are accelerating the PRC's foreign policy in a less ideological direction, creating a favorable atmosphere for the development of an economic relationship between South Korea and the PRC. In particular, the overall expansion of economic autonomy of enterprises and local provinces which is the result of a policy that allows lower levels to make economic decisions, a strict separation of politics and business, permits

private enterprises to make rapid progress and has important implications for the development of South Korea's economic relationship with the PRC.

Furthermore, the PRC continues to increase its emphasis on the Asian and Pacific regions for economic development, and its policy vigorously pursues this in coordination with its modernization policy. From a geographical point of view, the PRC's cooperation with South Korea will be inevitable and the importance of South Korea's location and role as a bridge for the Western economies' entry to the PRC will greatly increase. In this context, the opening of the whole coastal area extending from Taiyuan to Hainan Island and its natural unity with the development of South Korea's western coastal areas will be inevitable in the long run. In particular, the direction of development of the northeast economic zone and Bohai economic zone selected by the PRC will have a large impact on the development of South Korea's economic relationship with the PRC.

In addition, the recent great improvement in Sino-Soviet relations will also impact favorably on the development of South Korean-PRC relations. However, with the improvement in Sino-Soviet relations, the individual bilateral relations which had been maintained between North Korea and the PRC and the Soviet Union, respectively, due to aggravating Sino-Soviet conflicts, appear to be reorganized into a new form of trilateral relations in the northern regions.

However, the newly emerging trilateral relations in the northern regions will be completely different from their counterparts in the 1950's. That is, the trilateral relations in the northern regions in the 1950's had the characteristics of an allied relationship which served as a driving force behind their revolutionary and ideological identity, while the newly emerging trilateral relations in the northern regions will be based on national interests, reciprocity, and realism and will avoid engaging in an allied relationship. Therefore, the newly emerging trilateral relations in the northern regions and the improvement of Sino-Soviet relations will serve the function of a control on the adventurism and ultra-left political line of North Korea rather than acting as a one-sided assistance to North Korea as in the past.

The improvement of Sino-Soviet relations will bring about a relaxation of the competition over North Korea and make them raise their activity level, which in turn will be beneficial to the development of the South Korean-PRC relationship.

In particular, from the viewpoint of the PRC, the strategic significance of North Korea is based mainly on the assumption of a Soviet threat. However, if Sino-Soviet relations improve and the military threat of the Soviet Union to the PRC's northeastern regions is lessened, to that extent, the strategic importance of North Korea will

also decrease, so that the significance of the North Korean factor in regard to the development of the South Korean-PRC relationship will similarly decrease.

Epilogue

In spite of the fact that favorable elements and situations for reciprocal development exist between South Korea and the PRC, significant opportunities and interests which can change their fundamental reciprocal relationship have not developed up to the present, and this has become an important reason for the limited progress in the South Korean-PRC relationship. In other words, as long as North and South Korea are in an adversary relationship, the normalization of the South Korean-PRC relationship and the maintenance and development of a friendly relationship between North Korea and the PRC cannot coexist. Therefore, the PRC is limited to choosing between either North or South Korea. Such being the case, the PRC can normalize its relationship with South Korea only when it abandons its existing friendly relationship with North Korea. However, the PRC has not found reasons so important as to alter its relations with South Korea.

As was mentioned previously, there have been increased contacts and exchanges between South Korea and the PRC in the nonpolitical and unofficial areas, which is an intermediate phase before the "development of a state level relationship." However, as long as North Korea's strategic importance to the PRC continues and the PRC continues to use its friendly relationship with North

Korea as a decisive criterion for its policy-making process toward South Korea, the development of the South Korean-PRC relationship cannot progress from the pre-state-level relationship.

However, progress in the South Korean-PRC relationship in nonpolitical areas in terms of quantity and quality over the last several years can be considered a result of the reflection of the aforementioned elements of development. In consequence, if these factors which can affect the development of the PRC's relationship with South Korea are strengthened as the PRC makes progress in pursuing its economic reform and pragmatic policy, they can increase the PRC's need and willingness for relations with South Korea. As a result, contacts and exchanges between the two countries will expand.

In conclusion, the PRC's modernization policy and its future direction will greatly influence South Korea's future industrial structure. In particular, if the smooth progress of the PRC's modernization policy can be easily linked to rapid economic growth and if the PRC continues its current efforts to adjust its economic system, thus increasing its capitalist economic characteristics, this will have a great impact on the South Korean-PRC economic relationship. The PRC also will make South Korea's continued economic growth possible by its decisive role as an overseas market and source of resources for South Korea.

Such being the case, South Korea, by developing and deepening its economic relationship with the PRC, will increase its dependency on the PRC and thus, its future industrial structure will be a direct reflection of the direction of the PRC's modernization policy.

13269

END OF

FICHE

DATE FILMED

12 May 1988